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BRITISH GAS
Global horizons beckon UK utility
Page 17

World News

US cuts off aid to Haiti as president is expelled

The US and France suspended economic and military aid to Haiti after Monday's military coup which ousted President Jean-Bertrand Aristide.

Aristide flew with his family to Venezuela on an aircraft provided by Venezuelan President Carlos Andrés Pérez. He is expected to fly on to France, where he has been offered asylum, or the US. Page 3

Romanian PM nominated
Romanian prime minister Petre Roman nominated his ex-finance minister, Theodor Stolojan, to succeed him after last week's riots by miners led to his resignation.

Gates accused
Robert Gates, whose confirmation as the next CIA director seemed assured, was accused of distorting intelligence on the Soviet Union to support former President Ronald Reagan's anti-communist policy. Page 3

Chernobyl leak
A shield preventing further radiation leakages from the Soviet Union's Chernobyl nuclear plant, which exploded in 1986, needs reinforcing, the Tass news agency said. Rainwater was leaching radioactive elements into the ground.

Togo rebels ousted
Rebel troops in Togo, opposing a new government set up to end the country's 24-year military dictatorship, were forced out of the broadcasting station they seized in the capital, Lome. Page 4

Swedish tax cuts
Sweden's new government is expected to announce annual tax cuts of about SKr10bn ($1.6bn) to help pull the economy out of deep recession. Page 2; Swedish banks hit by credit losses, Page 17

Mobutu weakened
Zaire's new premier, Etienne Tshisekedi, began negotiations on the share-out of cabinet jobs and claimed to have weakened President Mobutu Sese Seko's hold a week after army-led looting triggered nationwide riots. Page 4

Tories 'losing nerve'
UK opposition Labour party leader Neil Kinnock accused the ruling Conservatives of "losing their nerve" with the decision not to call a November general election. In a speech to his party's annual conference, he effectively committed Labour to fixed-term parliaments. Page 8

French olive branch
France signed a friendship and co-operation accord with Czechoslovakia in an attempt to improve its relations with eastern Europe. Page 2

Kaifu faces trouble
Japanese prime minister Toshiki Kaifu, whose term in office expires this month, has damaged his re-election prospects by supporting political reforms which would reduce the number of seats in the Japanese parliament. Page 4

Athens bans cars
Cars were banned from the centre of Athens for the second day as air pollution reached record levels.

UK store for Soviets
Littlewoods, UK stores group, is to open two branches in St Petersburg.

Drugs ring broken
Portuguese police seized 430 kilos of cocaine and broke an international drug trafficking ring based in Columbia.

Gorbachev on paper
Soviet President Mikhail Gorbachev has written a book on the failed coup which temporarily ousted him in August. It is being considered by the Novosti publishing house.

Business Summary

Italian government boosts privatisation

The Italian government has given a boost to privatisation by dropping the state's insistence on retaining majority control. Legal mechanisms are also to be introduced transforming state enterprises into publicly quoted companies.

The measures, approved by the cabinet late on Monday night as part of next year's budget, were championed by treasury minister Guido Carli, and pushed through in spite of socialist objections in the four-party coalition. The government is hoping to raise up to L15,000bn ($12bn) in privatisations next year. Page 16; Rome cabinet plans, Page 2

US BANKS: The number of banks is expected to shrink by 25 per cent in the next 10 years and the banking industry could lose a quarter of a million jobs, according to a new survey of bankers by Andersen Consulting, an arm of auditors Arthur Andersen. Page 17

BRITISH AEROSPACE: A consortium of London financial institutions is in discussions with continental defence companies to organise a break-up bid for British Aerospace. The defence conglomerate unveiled a £432m ($752m) rights issue two weeks ago to shore up the group's finances. Page 18

SWEDISH BANKS: Mounting credit losses have severely damaged the financial performance of two of Sweden's leading commercial banks, Svenska Handelsbanken and Gota Bank, according to their interim reports. Page 17

SAFEWAY, large California-based supermarket chain which was taken private in a leveraged buyout in 1986, reported doubled after-tax profits of $403m in the third-quarter. Page 20

SEARS' pre-tax profits slumped from £62.4m ($109m) to £4.6m as the UK speciality retailing, home shopping and property group confronted the "worst trading conditions in over 20 years". Page 18; Lex, Page 16

DAVIES & Newman Holdings, parent company of the UK independent airline Dan Air, is almost refloating itself on the London stock market with the issue of 107.5m shares to raise £49.2m ($86m). Page 18

AEG, lossmaking subsidiary of Germany's Daimler-Benz motor and industrial group, is talking with several companies about the sale of its profitable cablemaking operation, which last year had a turnover of DM1.9bn ($1.1bn). Page 18

DEN NORSKE BANK (DnB), Norway's biggest bank, will go ahead with a planned capital expansion through a share issue next month, despite a 70 per cent fall in share price this year. Page 21

CANADA and Singapore have become embroiled in a heated row over Ottawa's decision to revoke a seven-year-old bilateral air services agreement. Page 6

TOURANG, consortium formed by Kerry Packer and Conrad Black to bid for the Australian Fairfax newspaper group, will be floated within a few years if its bid succeeds, a federal parliamentary committee was told. Page 20

GROUPE Royale Belge, Brussels-based insurer, said that judging from its first-half results, trading profits for the whole of 1991 would rise by some 10 per cent compared with 1990. Before tax and transfer to reserves, the group realised a profit of BFr3.4bn. ($99m) Page 18

ASSURANCES Générales de France (AGF), second largest state-owned insurer, reported a slight decline in first-half profits, hit by higher than usual car theft claims and pressure on industrial risk premiums. Net profits fell to FFr1.83bn ($320m). Page 18

Soviet republics move towards a common market

By Leyla Boulton in Alma Ata

TWELVE Soviet republics yesterday initialled a fragile plan for a common market designed to save their economies from collapse.

Eight of the republics undertook to sign the treaty for a so-called economic community by October 15 – the original title of an "economic union" was dropped during the talks because of its associations with the old Soviet Union.

Kazakhstan's president, Mr Nursultan Nazarbayev, who hosted a meeting of republican leaders, said the eight included the Ukraine, the second most powerful republic, which wants full political independence.

The tenuous nature of the agreement was underlined when Mr Vitold Fokin, the Ukrainian prime minister, said he hoped his parliament would back him when it convenes next week: "I very much hope that this will happen because economic isolation means economic death."

Even though it is just a first step in a process which may yet fail, there now appears to be a chance that the republics may pull back from trying to resolve their common economic crisis in isolation.

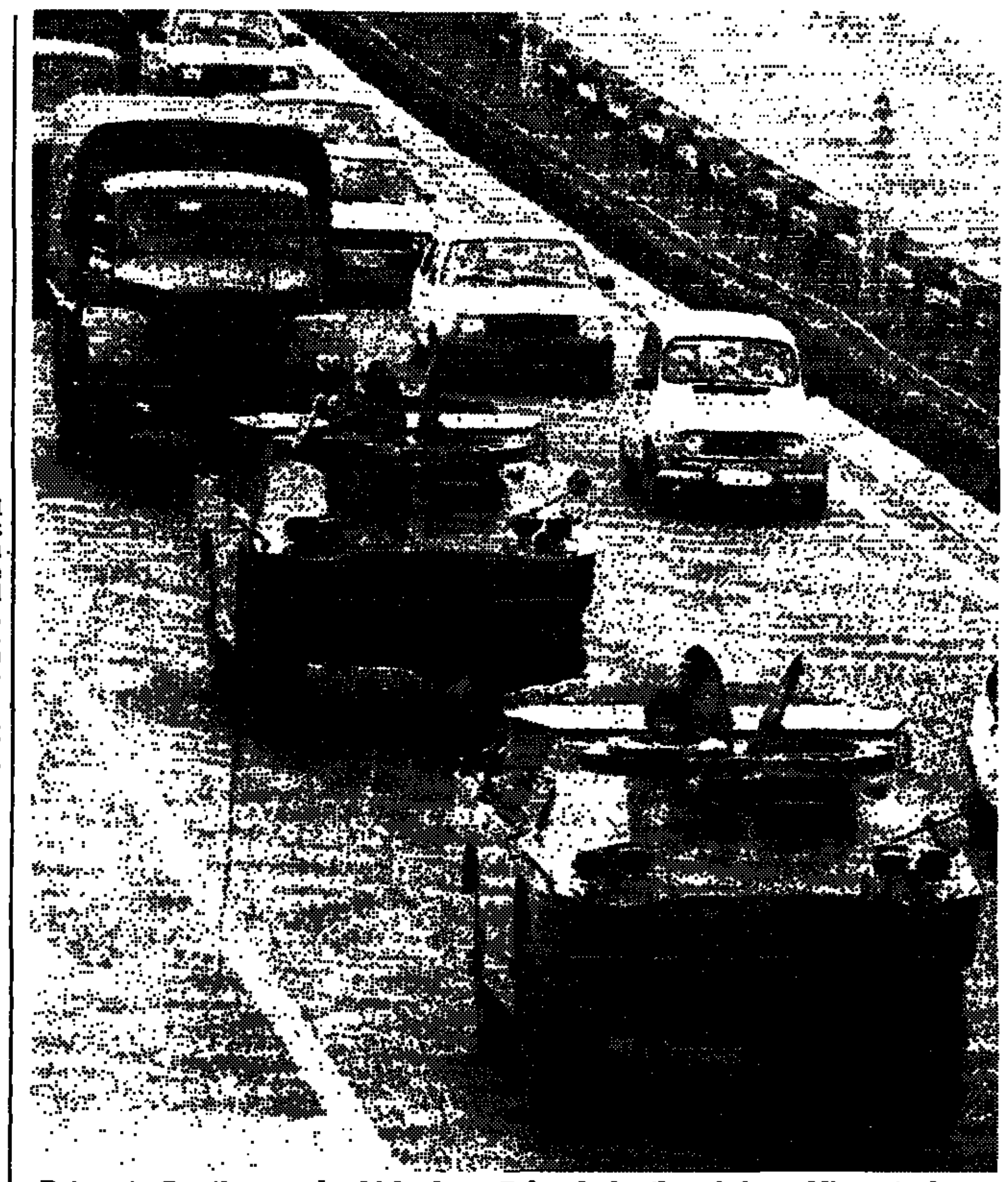
The 3.7m-strong Soviet army is to be cut by up to a half by 1994, the independent news agency Interfax reported last night. Colonel-General Pavel Grachev, first deputy defence minister, also said a unified Soviet command should be created with control over nuclear forces. Page 2

The four other republics – Moldova, Armenia, Georgia, and Azerbaijan – also displayed a new-found pragmatism even though they wanted more time to give the plan final approval. Mr Mircea Snegur, the Moldovan leader, said he could not ignore the fact that Moldova's economy had been too closely integrated with the rest of the country since being annexed by the Soviet Union 50 years ago.

Mr Gregory Yavlinsky, architect of the project was pleased with the agreement but remained cautious, saying it was not a solution, but a step in the right direction.

Apart from facing political obstacles, the treaty – to last initially for three years – can only become reality after the republics conclude detailed agreements on all aspects, from taxation to labour policy. Mr Yavlinksy said some 20 such agreements would take three to four months to conclude. He suggested January 1 new as a possible start date for the community. The treaty's provisions include:

- Free movement of goods, services and labour;
- A common monetary and central banking system;
- A "unified" tax system (this means a uniform rate for those taxes applied in all republics; there will be no federal taxation);
- A community budget which cannot be in deficit and agreed limits on the republics' budget deficits;
- Co-ordinated price reform including agreed prices on certain key goods in a transitional period. Republics which do not join the economic community will face world prices for crucial supplies such as oil.



Return to Croatia: armed vehicles leave Belgrade for the rebel republic yesterday as the fragile Yugoslav ceasefire was shattered with fighting reported around Vukovar

UN team leader warns on Iraqis' possession of technical knowledge

Iraq 'could rebuild N-capacity'

By Bronwen Maddox in Bahrain and Alan Friedman in New York

IRAQ was apparently exploring ways of delivering nuclear weapons to their targets by both aircraft and missiles, according to United Nations inspectors in Bahrain.

Mr David Kay, leader of the UN team detained in Baghdad for five days last week after finding vital Iraqi papers, said he had seen a design for a nuclear warhead, although some other documents which may have provided more detail on Iraqi plans for delivery systems were taken away by Iraqi soldiers.

The UN team had already found evidence of a sophisticated Iraqi programme for enriching uranium, of research into detonating a nuclear device and of Iraqi dealings with foreign companies supplying nuclear-related facilities.

The findings have enabled the UN to conclude that if Iraq had secured enough enriched uranium for a bomb, construction of the weapons would have been no obstacle.

Iraqi attempts in the 1980s to build a nuclear-capable missile known as the Condor-2, partly funded by unauthorised credits from Italy's Banca Nazionale del Lavoro, faltered after a concerted campaign by western governments.

Mr Kay expressed concern that Iraq now had the skills to rebuild its nuclear weapons programme in spite of the destruction wrought by the Gulf war and the efforts of the UN teams charged with destroying the country's unconventional weapons.

"Of course we can chop up the equipment, and we'll do so. The research centre at Tuwaitha is already heavily bombed. We can go in and chop up the uranium enrichment equipment at Tarmiya and Al-Sharqat, that's not hard to do," he said.

"But the real problem is that the technical knowledge still exists and is locked away in the heads of thousands of Iraqis, most of them educated in western or Soviet universities."

Another concern is that Iraq has managed to procure the necessary equipment for its programme and to copy such equipment in its own factories.

Three 45-kilovolt power supply units that are believed to have helped Iraq's uranium enrichment programme were sent from New York to Baghdad as recently as January 24 last year. The units came from Hipotronics, a maker of electrical equipment in Brewster, New York.

Mr Stephen Peschel, president of Hipotronics, said the company had originally shipped four 45-kV units in 1988 and five 21-kV units in 1989, with export licences approved by the US department of commerce. He said Baghdad claimed they were needed for welding and steel-cutting.

According to an Iraqi defector who was debriefed this year by US intelligence, the power units were used by Iraq to try to make weapons-grade uranium at a secret underground site in the mountains north of Baghdad, although Mr Kay said he had seen locally produced power units in Iraq.

Iraq ready to rebuild, Page 4

Japanese stocks soar on hope of rate cut

By Stefan Wagstyl in Tokyo

JAPANESE STOCKS soared yesterday on hopes of lower interest rates after moves by the Bank of Japan to ease controls on bank lending.

The central bank announced plans to cut, for the first time in 10 years, commercial banks' reserve ratios. These govern the amount of funds institutions have to deposit interest-free at the Bank of Japan.

Investors widely interpreted it as a sign that further interest rate cuts are on the way from the central bank. The Nikkei index of leading stocks rose 460 points to 24,377.01. Short and long-term interest rates fell, with the yield on the benchmark government 10-year bond falling to 5.910 per cent, its lowest level in 21 months.

The ratio cut indicates the central bank's growing confidence that its two-year battle against inflation and speculative excess in the financial and property markets has been won. It is gradually switching the focus of its attention to ensuring the recent slowdown in the economy does not go too far. The last time reserve ratios were cut was in 1981 – a recession year.

Central bank officials said the cut was not specifically designed to ease credit but added it could have a credit-easing effect. The actual impact of the measure, which comes into effect on October 16, would depend on movements in the money market.

Continued on Page 16

Kaifu damages re-election prospects, Page 4; Government bonds, Page 22; World stock markets, Back page, Section II

IBM, Apple to emphasise fast product development

By Louise Kehoe in San Francisco

DETAILS of the collaboration between International Business Machines and Apple Computer, to be unveiled today, reveal a more rapid move to bring commercial products to market than had been expected.

When IBM and Apple first announced talks earlier this year, attention focused on the companies' longer-term plans for software development.

Today, they will describe plans to bring products to market over the next two to three years. These include:

- Jointly developed software tools to make it easier to link Apple's Macintosh personal computers into networks of IBM computers. Products are scheduled to appear by the end of this year.
- An Apple-developed version of the latest Macintosh operating system software, System 7, which will run on computers based on an IBM-designed RISC (Reduced Instruction Set Computing) microprocessor.
- A new set of microprocessors based on IBM's RISC design, to be developed by Motorola, Apple's chip supplier. Over two to three years, 300 engineers from IBM and Motorola will work together on three versions of the chip design, to be called Power PC, for personal computers, workstations and PC networks. "These are all monster products," says Jim Norling, president of Motorola's semiconductor group. "No one company could possibly develop all of them in this time frame."
- A joint Apple and IBM development effort to blend the two companies' current versions of the AT&T Unix operating system into a new version that will run programs designed for both. The new version of Unix will meet the standards established by the Open Software Foundation, one of two main standards for Unix. The software development is also expected to take two to three years.

Power PCs running the new Unix software will compete with rival high-powered PC designs being drawn up by an industry consortium called ACE and by Sun Microsystems.

Apple and IBM will also form two joint venture companies to address longer term projects. Both will be based in California and staffed by people from IBM and Apple. The first will use a radically new approach to software design, called object-oriented software, to develop a new, all encompassing operating system that will run on IBM, Apple and other computers.

Apple's "Pink" project, which has been underway for several years, will form the basis of this new joint effort.

The second Apple IBM joint venture will be aimed at creating an industry standard for "multimedia" – the simultaneous processing of video, graphics, voice and text. The two companies will combine the extensive work that both have done in this field.

Taste of Apple, Page 12

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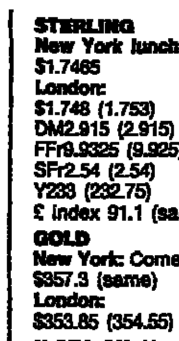
Political wrangling leaves Zaire's crisis unsolved



His country stands on the brink of chaos, but President Mobutu of Zaire (left) remains shrouded in absolutist authority and refuses to articulate a commitment to a new political and economic order Page 4

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MARKETS

STERLING
New York lunchtime: $1.7465
London: $1.748 (1.753)
DM2.915 (2.915)
FFr9.9325 (9.925)
SFr2.54 (2.54)
Y233 (232.75)
£ index 91.1 (same)

GOLD
New York: Comex Dec $357.3 (same)
London: $353.85 (354.55)

N SEA OIL (Argus)
Brent Nov $20.875 (21.05)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime: DM1.669
FFr5.684
SFr1.4555
Y133.3
London: DM1.6655 (1.6625)
FFr5.675 (5.6625)
SFr1.452 (1.4485)
Y133.15 (132.8)
$ index 64.5 (64.3)
Tokyo close: 133.18

US lunchtime rates
Fed Funds: 5½%
3-mo Treasury Bills: 5.221%
Long Bond: 103 [illegible]
yield: 7.801%

STOCK INDICES
FT-SE 100: 2,645.6 (+23.9)
FT Ordinary: 2,035.9 (+14.3)
FT-A All-Share: 1,275.62 (+0.8%)
New York lunchtime: DJ Ind. Av. 3,024.82 (+8.06)
S&P Comp 389.3(+1.44)
Tokyo: Nikkei 24,377.01 (+460.57)

LONDON MONEY
3-month interbank: 10½-10¼% (10½)
Liffe long gilt future: 95 [illegible] (Dec 95 [illegible])

Moscow says army to be reduced by nearly a half

By Neil Buckley in Moscow

THE SOVIET army is to be cut by up to a half by 1994, and will become semi-professional, the independent news agency, Interfax, reported last night.

The decision to reduce the army from 3.7m to 2 to 2.5m men was announced at a joint session of Russia's parliamentary council on security and social protection for servicemen by Colonel-General Pavel Grachev, first deputy defence minister, the agency said.

Gen Grachev also indicated the beginning of a radical shift in the composition of the army.

The length of compulsory military service will be reduced from two years to 18 months starting with this autumn's draft. From the beginning of next years, volunteers will be able for the first time to sign up for contracts of two to five years.

The number of volunteers in the army is expected to reach 215,000 by the end of 1992, and to account for 45 to 50 per cent of the total number of troops by 1995. At this stage, compulsory service will be reduced again, to 12 months. Gen Grachev said that a priority in reform of the army was the creation of joint armed forces with a unified command structure and unified nuclear potential. He expressed concern about the plans of some republics, notably the Ukraine, to create their own armed forces.

The cuts go further than those previously suggested by the new Soviet defence minister, Mr Yevgeny Shaposhnikov, who told the Japanese newspaper Yomiuri Shimbun the army would be cut from 3.7m to 3m men.

The Soviet Defence Ministry said it was not able to comment last night on why the size of cuts had been increased.

A spokesman for Mr Mikhail Gorbachev, the Soviet president, announced yesterday that a group of advisers had been appointed to prepare a substantive response in a matter of days to the sweeping US nuclear arms cuts announced last week. The US cuts, announced by President George Bush on Friday, include the destruction of all US ground-launched tactical nuclear missiles and the removal of nuclear cruise missiles from submarines and warships.

His spokesman said the Soviet response would be "concrete and corresponding in scale." He said the working group would be in close contact with US officials and the Soviet position would take into account the existing imbalance of the nuclear forces between the two sides.

"The president has ordered that our reciprocal actions and counter-measures be ready in a week and some days out of that week have passed already," Gen Grachev said.

■ The Soviet Union has disclosed that it kept nuclear weapons in eastern Germany until June, German Social Democratic party chairman, Mr Bjoern Engholm, said yesterday, Reuter reports from Berlin.

Soviet aid demand cut by $4.5bn to $10.2bn

By Gillian Tett in Moscow and Lionel Barber in Washington

THE SOVIET Union is cutting its request for western aid for this winter by nearly a third, a senior European Community official said yesterday.

The original Soviet request had been for $14.7bn, of which approximately $6.5bn was laid at the door of the EC.

However, Mr Henning Christophersen, the European commissioner for economic affairs, told reporters after meeting President Mikhail Gorbachev that this request had now been dropped to $10.2bn.

The news came as US President George Bush accelerated disbursement of $585m in agricultural credits to the Soviet Union, saying it was needed to help the Soviet people get through a hard winter.

Mr Michael Emerson, the EC representative in Moscow, who was present at the meeting between Mr Christophersen and Mr Gorbachev, said the Soviet president had not given any reason for scaling down his request.

"The Community did not enter into any bargaining," he added, denying that Mr Christophersen had placed pressure on President Gorbachev during the meeting to reduce his first demand, which was considered unrealistically high in western circles.

Mr Christophersen said on Monday that the EC was not yet able to take a decision on the Soviet Union's initial request for $6.5bn in aid since it did not have enough information about the Soviet food situation, or how the Soviet Union would use the aid.

"We would like to see how the figures have been calculated," said Mr Christophersen.

Mr Bush made his announcement as Mr Edward Madigan, US agriculture secretary, was due to head a delegation of leading American businessmen and government experts to Moscow, St Petersburg and Kiev over the next nine days.

The credits are part of a $2.5bn credit package to the Soviet Union which was due to run until February 1992.

The accelerated disbursements follow last week's move to guarantee 100 per cent of the principal on the loans to make them more attractive to the commercial banks.

Although the US recognises the risk of a sharply reduced Soviet harvest, it will not make any final decisions on extra food aid until Mr Madigan returns.

The Soviet requests for food aid have met with some scepticism in Washington.

"We have no idea what these figures are based on," said one US official.

The administration is finding it difficult to assess Soviet needs because of conflicting reports from central authorities in Moscow, individual republics and local mayors about shortages.

It also suspects that production forecasts are being deliberately lowered in order to raise future prices on the black market for hoarded grain.

EC ministers cautious on energy tax

By David Gardner in Luxembourg

EUROPEAN Community environment ministers yesterday gave a cautious first reading to ambitious plans announced last week by Brussels to introduce a tax on energy aimed at reducing carbon dioxide emissions and combating global warming.

The European Commission wants member states to rebalance their fiscal systems to impose a tax equivalent to $10 on a barrel of oil by 2000, rising from $3 in 1993 by $1 a year. While many member states were unwilling to commit themselves until the Commission refines its proposals, it is already clear that countries such as Germany and Denmark are aiming at CO_2 reduction targets which would be impossible to achieve without fiscal measures.

While the EC as a whole last year committed itself to stabilising CO_2 emissions at 1990 levels by 2000 – a real cut Brussels estimates at 11 per cent – these and other industrially powerful countries intend going further.

Germany's national target is to cut emissions from 1990 levels by 25 per cent by 2005, while Denmark intends to reduce CO_2 output by 20 per cent over the same period. The Netherlands and Belgium have said they will make additional real cuts of 5 per cent by 2000.

The UK, by contrast, has only undertaken to stabilise at 1990 levels by 2005, five years after the common target.

Mr Tony Baldry, the UK's junior environment minister, said yesterday, however, that Britain was not opposed to the Brussels plan.

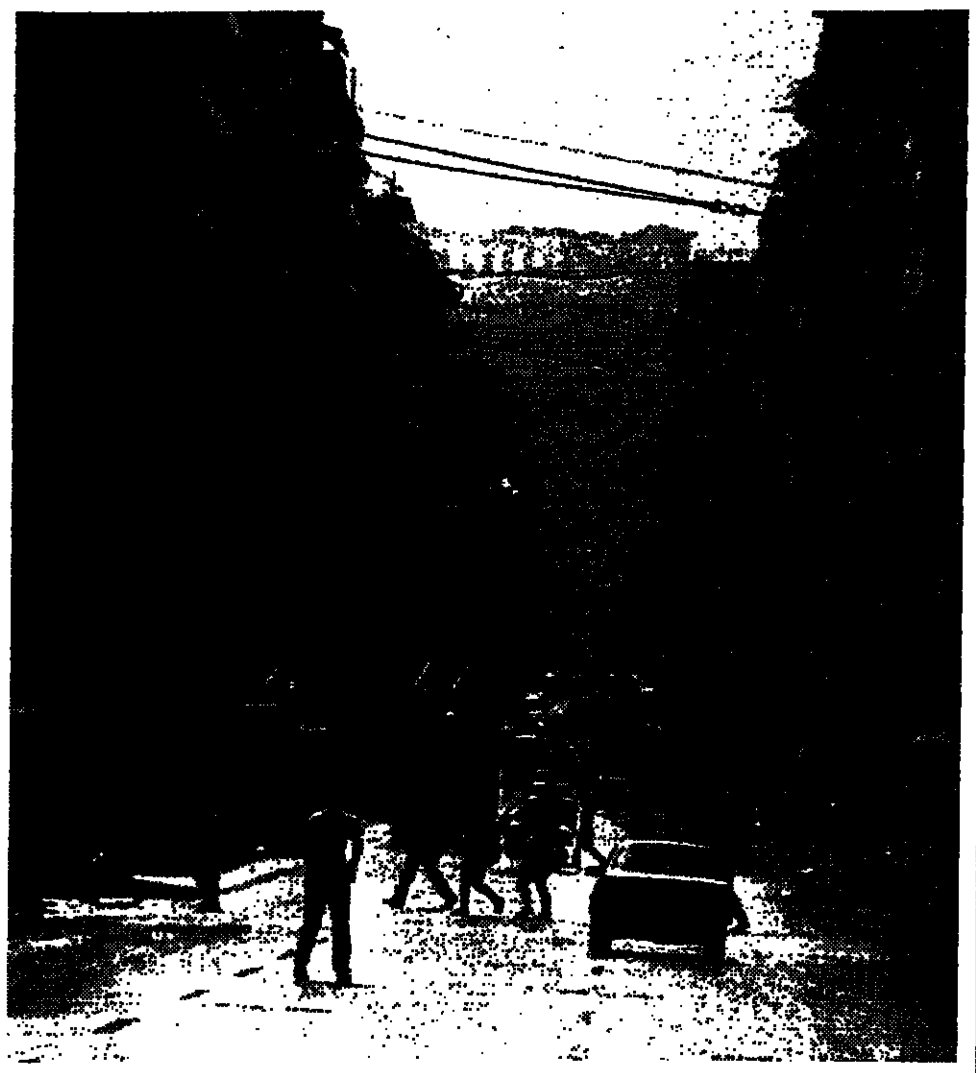
"An energy tax could well be appropriate," he said, "but to be effective, measures have to be taken internationally."

The new tax would in fact be two levies, one on all non-renewable fuels according to energy value, and an additional charge on fossil fuels graded according to carbon content. It would be offset by tax cuts in other areas. Energy-intensive industries would be exempt, and asked to reduce fuel consumption voluntarily until the US, Japan and other EC trading partners adopted equivalent regimes.

Yesterday's ministerial meeting agreed on standardised reporting procedures for more than 30 EC directives on water, waste, and air quality, a discreet procedural advance which will make it more difficult for member states to flout Community environment law.

However, ministers failed again to agree on a directive establishing an EC-wide network of protected habitats for wildlife.

Editorial comment, Page 14



SMOG SCARE CLEARS THE STREETS OF ATHENS OF CARS

A normally busy street in Athens was almost deserted yesterday after the Greek government ordered all cars to be barred from the city because of record levels of photochemical smog. Hundreds of people reported to hospitals complaining of heart and breathing problems. The number of taxis allowed to operate was halved. The ban will be repeated today. The Acropolis is just visible through the gloom at the end of the street.

New target for German far right

By Christopher Parkes in Bonn

THE extreme right-wing Deutsche Volksunion (DVU), which shocked Germany at the weekend by capturing six seats in the Bremen state parliament, is to contest elections in Schleswig-Holstein next April.

It will decide in the next few weeks if it will also bid for representation in the Baden-Württemberg poll in the same month. Announcing its programme in Munich yesterday, Mr Gerhard Frey, DVU chairman, renewed attacks on "fake asylum-seekers and criminal foreigners".

The move on Schleswig-Holstein, like Bremen an SPD stronghold, is a direct assault on the SPD leadership. Mr Björn Engholm, chairman of Germany's main opposition party, is also prime minister of the state.

The DVU's success cost the SPD an overall majority in Bremen it had enjoyed for 20 years. Baden-Württemberg presents a more difficult target. Unlike Bremen and Schleswig-Holstein, its population, centred in Stuttgart, is generally prosperous and middle-class.

The state is also the sole remaining region in the former Federal Republic controlled by Chancellor Helmut Schmidt's ruling CDU.

Rotterdam court bans docks strike

A Rotterdam court yesterday banned port workers from striking this weekend in protest against state welfare cuts, saying their employers were not party to the dispute, Reuter reports from Amsterdam.

The president of the district court granted an injunction to employers forbidding strikes called by the transport branch of the FNV union federation. The court told the union to withdraw yesterday call for a 24-hour general port strike to start on Friday morning.

Union leaders said they could not rule out wildcat strikes.

Fear over 'explosion' in money supply

By Neil Buckley in Moscow

THE DEPUTY chairman of the Soviet state bank (Gosbank) warned yesterday that unless the Soviet Union slowed down the rate at which it was issuing new money it risked hyper-inflation which could "smash" the economy.

Mr Arnold Voilukov, a long-time advocate of market reform, told the Soviet newspaper Trud that the USSR was experiencing a money supply "explosion".

It had printed more than Rbs19bn ($11bn) in new notes in the month of August – more than in the whole of 1990.

He said a total of Rbs57.3bn had been issued in the first eight months of 1991, considerably more than the Rbs40bn previously budgeted for the entire year.

The amount of currency in circulation was twice as much as at the same time last year, he said.

In the same period, the national income declined by 13 per cent, while wage and bonus payments rose by 45 per cent.

For every rouble's worth of production, Mr Voilukov said, the Soviet Union was now paying out Rbs1.2 in wages.

"We are undermining our own economy," he warned.

"The more money we issue, the deeper we will find ourselves in poverty, and in the long run hyper-inflation will smash the economy."

Mr Voilukov confirmed the comments of Mr Yuri Balagurov, director of Gosbank's money supply department, who said last week that printing presses were working flat out to print new money.

He warned, however, that shortages of cash might mean some enterprises would still have difficulty paying wages this month.

UK team voices concern at fall in food production

By Gillian Tett in Moscow

FALLING agricultural production in the Soviet Union is more worrying than the failing distribution system, an eight-man team of British food retailers said yesterday.

The delegation, headed by Sir Ronald McIntosh, chairman of the British Food Consortium, has been visiting Russia at the suggestion of Mr John Major, Britain's prime minister, to assess the situation.

Mr McIntosh said the retailers had "modified" their view – widely endorsed by most western experts till now – that the key to food shortages was the breakdown of the distribution system. The team had met Mr Anatoly Sobchak, mayor of Leningrad, and Mr Yuri Luzhkov, deputy chairman of the Committee for the Management of the Economy, and visited farms, retail outlets, factories and storage depots.

He said the delegation had been particularly concerned by the falling production levels of grain and processed feed for cattle which they believed could lead to the widespread slaughter of cattle and poultry.

"It is not true to say that Russia has all the food to feed its people," Mr McIntosh said. "The top priority is to increase output at the farm level.... There is no way a market system can function effectively with acute shortages."

However, output could be increased by "implementing fairly basic western principles of management and technology," he said. The implication was that aid should be channelled into providing agricultural assistance, such as high quality seed or grain feed, rather than in direct food aid. Technical aid should be also be given to improving food processing plants and storage depots.

The delegation announced that it planned to provide an example for future Soviet farms by building a model British farm near St Petersburg – a project it hoped to begin, finance permitting, by next month.

However, it admitted that there was, as yet, limited incentive for western companies to provide widespread investment either in agriculture or in the food retail business. Prospects for recouping hard currency profits from these investments were limited, and, most significantly, the prices of badly needed staples, such as sugar and flour, were still fixed by the state.

LITTLEWOODS, the UK retailing group, will open two stores in St Petersburg next week, writes John Thornhill. It claims to be the first western mainstream retailer to set up outlets in Russia.

One of the stores will sell the full Littlewoods clothing, home products and food ranges for hard currency. The other, located in the famous Gostinii Dvor department store on Nevsky Prospekt, will sell Russian-made goods for roubles.

Littlewoods, which runs 250 shops in the UK, has established a joint venture with Mayak Tailoring Association to manufacture clothing under supervision both for sale in Russia and export to western Europe.

Mr Desmond Pitcher, chief executive, said the company would be able to repatriate profits because it was selling goods for hard currency.

Mafia-link councils dissolved

By Robert Graham in Rome

ITALY'S Interior Ministry has ordered the dissolution of 18 municipal administrations in the south of the country because of suspected links with organised crime.

This is the most drastic use of a special law introduced in July to fight the growing penetration of local government by Mafia organisations.

Already three councils in Calabria have been dissolved. Now councils in four regions – Campania (Naples), Calabria, Puglia and Sicily – are being closed down. Once dissolved the councils will be administered by special three-person teams chosen by the Interior Ministry. The latter will then have 18 months to clean up affairs and prepare for fresh elections.

The Interior Ministry has been careful to emphasise that the move has been preventive and does not necessarily imply criminal proceedings will follow. Nevertheless, it underlines the growing concern within the government over the extent to which organised crime has been able to penetrate local administrations in a wide swathe of the Mezzogiorno and Sicily. The Camorra in Naples, the Mafia in Sicily and the 'Ndrangheta in Calabria have begun to act increasingly brazenly.

Within the past week three people have been murdered for crossing the path of organised crime. These include a prominent Christian Democrat councillor shot near Catania and a construction engineer killed with a doctor colleague near Reggio Calabria. Last month, Mr Libero Grassi, a Sicilian industrialist, was murdered after publicly refusing to pay Mafia protection money. The latter's murder produced a wave of public indication throughout Italy.

Turks against conference on Cyprus

Turkey's foreign minister said yesterday that an international conference on Cyprus could be counter-productive, Reuter reports from Brussels.

"This (resolving the Cyprus dispute) should be done between the two communities (in Cyprus), maybe with the help of Turkey and Greece," Mr Safa Giray told a news conference.

"If you make it international, it will go the other way (towards confrontation), as in the past," he said.

The United Nations is seeking common ground for an international conference on Cyprus.

UN-sponsored talks between Turkish President George Vassiliou and Turkish-Cypriot leader Rauf Denktash broke down last year.

Paris woos Prague with accord

By William Dawkins in Paris

FRANCE yesterday signed a friendship and co-operation accord with Czechoslovakia, the latest step in Paris' campaign to improve uneasy relations with Eastern Europe.

The treaty comes a day after France lifted objections to a European Community plan for increased meat imports from Czechoslovakia, Poland and Hungary and commits France to encouraging closer relations between the Czech federal government and the EC.

France, which has a large Czechoslovak expatriate community, is sensitive to pressure from its vocal farm lobby, with its fears of an influx of cheap Eastern European goods but Paris is keen to promote its industrial interests in Eastern Europe.

The treaty, signed by Presidents Vaclav Havel and François Mitterrand, is the third between France and an Eastern European country, following similar accords with Hungary in September and Poland in April. They allow for regular consultations and annual visits by senior government officials. Friendship accords are also under negotiation with Bulgaria and Romania.

Exports from France to Czechoslovakia rose by 5 per cent to FFr1.56bn last year, while imports from Czechoslovakia rose by 10 per cent to FFr1.99bn between 1989 and 1990, according to the French Foreign Ministry.

Deadline set for EC-Efta accord

By Andrew Hill in Brussels

EUROPEAN Community foreign ministers yesterday set October 21 as the deadline for agreement on the creation of a common economic zone with the nations of the European Free Trade Association (Efta).

Substantial problems still have to be resolved, however, including a knotty trio of European Community demands for fishing rights, road transit rights and money for poorer member states.

Parallel meetings between EC foreign ministers and Efta foreign ministers are planned for October 21, probably in Luxembourg.

Meanwhile, next week's meeting of EC transport ministers will examine ways of reaching a deal on transit of heavy road traffic through Switzerland and Austria, and bilateral negotiations will be held with the two countries in an attempt to agree a solution before October 15.

● The council of EC foreign ministers agreed yesterday that the newly-independent Baltic states – Latvia, Lithuania and Estonia – should be included in the Community's Phare programme of economic aid to central and eastern Europe from the beginning of next year.

The Commission will also start exploratory talks with the Baltic states on further economic and commercial co-operation with the EC.

In addition, foreign ministers have asked the Commission to make the first contacts with the Bulgarian authorities about a possible association agreement with the Community.

Similar talks would begin with Romania as soon as there was some "normalisation of the [political] situation" there, a Commission official said.

Tax cuts in prospect to help Sweden's ailing economy

By Robert Taylor in Stockholm

SWEDEN'S new government is expected to unveil a package of tax cuts and other measures this week designed to help pull the economy out of deep recession. The cuts, amounting to around SKr10bn (£940m) a year, will reduce Sweden's overall tax levels from 56.4 per cent to around 50 per cent by 1996, according to Ekonomifakta, the research arm of the Federation of Swedish Industries, which also foresees a boost to annual growth from 1.6 per cent to 1.9 per cent.

The other measures, which will include plans for privatisation, will be announced on Friday when the new centre-right minority coalition takes office, with Moderate leader, Mr Carl Bildt, as premier.

The tax changes will involve:

● Abolition of a 0.5 per cent turnover tax on share transactions, costing an estimated SKr2.5bn in lost tax revenues. It was introduced by the Social Democrats in the early 1980s after unions demanded curbs on stock market profits. Abolition could come as early as November 1.

● Elimination of double taxation of dividends which are taxed as part of corporate earnings and as income.

● Abolition of a 1.5-3 per cent tax on working capital which has hit small and medium-sized companies and those wanting to start up enterprises. This would cost an estimated SKr1.5bn.

● Removal of the employers' payroll tax on profit-sharing schemes.

● Reduction of local government income tax from 31 to 30 per cent.

● A cut in employers' social contributions from 39 per cent to around 32 per cent by 1995.

● A reduction in fixed capital taxation from 30 per cent to 20 per cent, costing some SKr3bn.

The government is expected to announce plans for privatising state-owned industries. This is likely to begin next year with Procordia, the pharmaceutical and food processing conglomerate. Other candidates for an early sell-off are the mining company LKAB, troubled Nordbanken, and the forestry and pulp company Ncb.

Value added tax is expected to be cut from 25 to 18 per cent on food, hotels and restaurants. A reduction in the general VAT level from 25 to 23.46 per cent is likely this year.

The coalition will propose abolition of Sweden's publicly owned wage-earner funds, set up in 1984 as regional funds investing in the stock market and financed by a tax on company profits. The funds hold an estimated SKr20bn in stock. There will also be measures to encourage personal saving.

Cuts pledge by Danish premier

By Hilary Barnes in Copenhagen

TAX reductions and a cut in government financing of unemployment benefits were promised yesterday by Mr Poul Schlüter, the prime minister, in his "state of the nation" report at the opening of the new session of parliament.

Any savings on unemployment benefits would be used to reduce personal and business taxation, he said.

He promised to promote job creation through private sector growth. Unemployment is at a record, seasonally-adjusted, 301,200, or 10.8 per cent. However, he rejected the idea of creating more public sector jobs.

This would worsen the budget deficit and undermine the current account of the balance of payments, which moved into surplus last year for the first time in 27 years.

Mr Schlüter proposed an increase in depreciation allowances on investments in high-technology equipment and a reduction from 1 to 0.75 per cent in the turnover tax on share transactions and on new share issues.

The government also plans to use the proceeds of privatisation sales to set up a DKr2bn (£178m) fund to support investment by small and medium-sized companies.

Labour market measures include proposals to shift more of the burden for financing the unemployment benefit system from the government to employers and wage-earners.

Poland seeks to save Ursus tractor concern

By Christopher Bobinski in Warsaw

The Polish government has announced plans to save the giant Ursus tractor factory outside Warsaw, which faces imminent bankruptcy.

Ms Henryka Bochniarz, the new trade and industry minister, said yesterday the decision not to close the factory had been taken on economic grounds alone, and cited a report prepared by western consultants saying tractor production has a future in Poland.

A decision to close Ursus would have been read as a signal that the government, led by the free market Liberal Democratic Congress party, was ready to accept closures in other big industrial centres. This is a sensitive issue with a general election due at the end of the month.

Ursus was partly modernised in the 1970s under a licence bought from Massey Fergusson. It has capacity to produce 30,000 modern tractors and 20,000 older models a year.

Demand has dropped in the past two years and production in 1990 was only 35,000 tractors. so far this year 14,000 have been produced. Some 8,000 of these remain to be sold and, under the rescue plan, production, which is currently suspended, would only resume early in November.

Ursus is burdened by a Zl 2,330bn (£120m) debt, which costs Zl 175bn a month to service, while the plant which employs more than 10,000 people has a running monthly deficit of Zl 35bn.

The plant's creditor banks have yet to agree to the rescue plan, which could involve about 5,000 redundancies. The government itself is owed Zl 150bn, and ZUS, the state-owned pension company, is owed another Zl 50bn.

The plant's suppliers who are owed Zl 600bn have already agreed to lower their prices by 20 per cent.

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AMERICAN NEWS

White House economists urge new measures to ease 'credit crunch'

US indicators point to weak economy

By Michael Prowse in Washington

THE US composite index of leading indicators failed to rise in August, signalling possible future weakness in the US economy, the Commerce Department said yesterday.

A separate report by purchasing managers indicated manufacturing industry continued to expand in September, but at a slower pace than earlier in the summer.

The figures, suggesting a mixed economic outlook, were released as the Federal Open Market Committee (FOMC), the US central bank's policy-making committee, met to discuss interest rate policy. The committee was expected to lean towards further easing of monetary policy, but its deliberations will not be made public for six weeks.

The index of leading indicators was flat in August after steady gains in the preceding six months. Six of its 11 components signalled contraction, including orders for plant and equipment, claims for unemployment insurance and real money supply.

An index of coincident indicators – designed to measure current economic conditions – fell slightly and has shown no growth since June. Taken together, the behaviour of the indicators supports the view that the economic recovery faltered in late summer, but it does not yet suggest an economic relapse.

The purchasing managers' index, a closely watched measure of manufacturing health, rose to 55 per cent last month, compared with 54.8 per cent in August. The increase was smaller than in recent months but indicates that prospects in manufacturing remain brighter than in the larger services sector. The index has been above 50 per cent – the level that indicates the manufacturing economy is expanding – for four months.

Mr Robert Bretz, for the National Association of Purchasing Managers, said the economy "seemingly paused to catch its breath" last month. However, the fifth consecutive monthly increase in new orders indicated "moderate growth" in the final quarter of this year.

Yesterday's figures and FOMC meeting follow high level discussions between Mr Alan Greenspan, Fed chairman, and the White House. Administration economists are urging new measures to alleviate the alleged "credit crunch" – artificial restrictions on the supply of credit due to the weakness of the banking system – which is seen as inhibiting economic recovery.

One option being considered is to relax bank capital requirements slightly to stimulate fresh lending.

Economists are split over the importance of credit restrictions. The Shadow Open Market Committee, a group of monetarist economists formed to second-guess official monetary policy, says the economy is on track for 2-3 per cent growth and does not require additional stimulus.

Prof Allan Meltzer, the group's leader, says the credit crunch is a "red herring". Bankers are applying tighter lending standards in weak sectors. But weak credit growth generally reflects weak demand, normal at this stage of the business cycle.

Gates accused of exaggerating threat from Soviets

MR Robert Gates, whose confirmation as the next CIA director seemed assured, was accused yesterday of regularly distorting intelligence on the Soviet Union to support hardline, anti-communist policy under President Ronald Reagan, writes Lionel Barber, US Editor, in Washington.

Mr Melvin Goodman, a former CIA analyst who retired in 1990, said Mr Gates had twisted intelligence to implicate the KGB in the attempted assassination of the Pope, and to exaggerate the Soviet threat in the 1980s.

In testimony to the Senate intelligence committee, Mr Goodman also accused Mr Gates of being party to the slanting of intelligence on Iran so that Mr Reagan was encouraged to believe a moderate faction in Tehran wanted to expand contacts with the US.

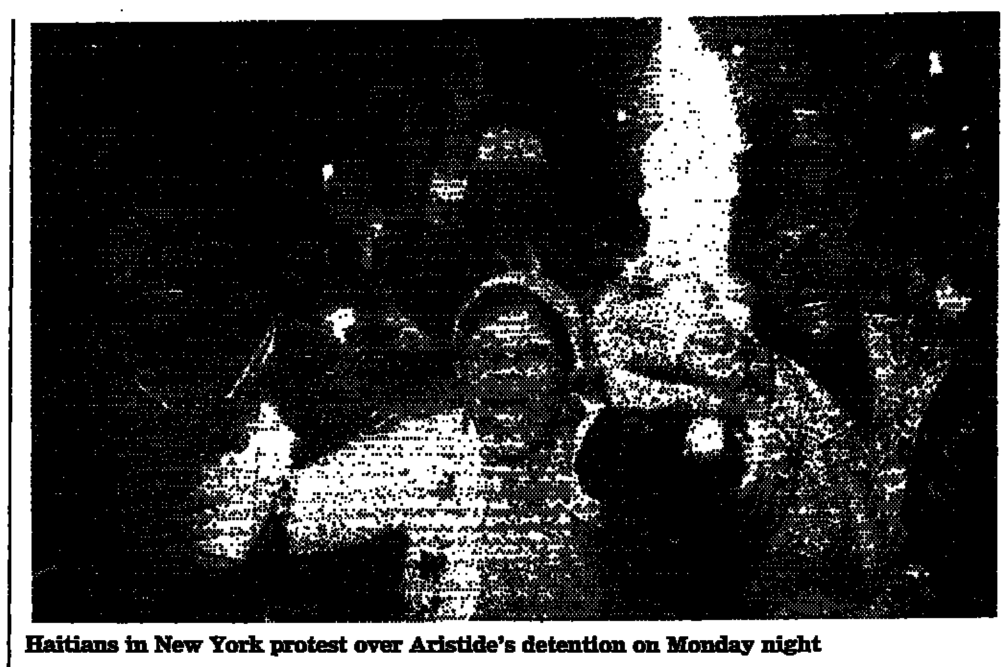
Mr Goodman said this false assessment led to the trading of arms for hostages – known as the Iran-Contra scandal. He asked: "Was the president himself a victim of CIA misinformation or disinformation?"

Although present and former CIA officials are expected to defend Mr Gates' integrity, bolstering endorsements by the intelligence community, the weight of Mr Goodman's testimony will be hard to ignore. It has already overshadowed what many thought would be the focus of the confirmation hearings: what Mr Gates knew or did not know about Iran-Contra.

In his testimony, Mr Goodman blamed much of the intelligence distortion on Mr William Casey, who was CIA director between 1980-87.

"Casey seized on every opportunity to exaggerate the Soviet threat," said Mr Goodman. "Gates' role was to corrupt the process and ethics of intelligence in all of these issues. He was Casey's filter."

The committee has already released an internal CIA memo showing that Mr Gates advocated a bombing campaign against Nicaragua, then a Soviet client state. He also gave a speech supporting Mr Reagan's Star Wars anti-missile system by drawing attention to Soviet efforts, even though the CIA analysis was hasty and incomplete.



Haitians in New York protest over Aristide's detention on Monday night

Haitian army expels president

By Canute James

PRESIDENT Jean-Bertrand Aristide, who was installed in February following the country's first election in 34 years, was expelled from Haiti yesterday, after the army took control of the Caribbean state.

Mr Aristide flew with his family to Venezuela on an aircraft provided Mr Carlos Andrés Pérez, the Venezuelan president. He could fly on to either France or the US.

The new junta is led by Gen Raul Cedras, who was appointed armed forces chief earlier this year. Diplomats concluded yesterday that he would have difficulty running the country and maintaining law and order. They forecast confrontation between the army and the president's supporters.

Several people were shot when news of the president's expulsion was greeted with street protests. In Port-au-Prince, the capital, 26 people have been reported dead and more than 100 injured.

Diplomats from France, the US and Venezuela negotiated for Mr Aristide's release after the president was captured by the army at the presidential palace on Monday night.

Mr Aristide took office after 29 years of dictatorship and military rule. A former priest with radical views on economics and politics, he negotiated more than $300m (£172m) in economic support from several countries, including the US and France. The US has suspended aid, and other countries are likely to follow.

Brazil capitalises on a change in investor mood

Sell-off débâcle has not hit inflow of funds, writes Christina Lamb

FOR many, the recent débâcle surrounding the suspension of Brazil's first privatisation was just another reason not to invest in Latin America's largest economy. Yet according to Mr Francisco Gros, governor of the central bank, Brazil is expecting to obtain $10bn (£5.7bn) in foreign capital by year's end, having already raised $6.8bn.

Lending to Brazilian companies at high interest or investment in the under-valued stock market represents for many investors an opportunity to make a quick buck. This is despite the fact that Brazil has yet to reach an agreement on its foreign debt and its government predicts two more years of recession.

The change in investor mood follows the signing of an accord with creditors on interest arrears and a change in the government's economic team, to one with a more international outlook.

Having seen the turnround in Mexico, Venezuela and Chile, investors now fear being left out of, potentially, the next Latin American success story.

However, the money coming into Brazil is still mostly in short-term funds, which will remain for only two or three years. Mr Gros admits only 15 per cent, or $890m, of funding raised so far is new direct investment in the form of risk capital, although even that is 250 per cent above the figure for the same period last year.

Mr Arminio Fraga, international director of the central bank, says a large part of the inflow is in floating-rate notes and export securitised bonds. He points out that these have raised little more than the $1.3bn paid out by private companies in amortisation and interest since they were freed to pay their foreign debt earlier this year. "We realised if money is to come into Brazil it must also be allowed to leave," he explains.

That was not the only radical change in central bank thinking. "In June we decided to face reality and allow Brazilian companies to borrow at market rates, which has resulted in substantial inflows of foreign capital," Mr Fraga says.

The biggest influx has come through commercial paper issues which he says will raise $2.5bn this year, against $624m last year. The last two months have seen successful issues by four state companies.

Petrobras, the state oil company, went first with a Eurobond issue in July to raise funds for a massive investment programme. The planned $100m issue aroused such interest that it turned into a $250m deal managed by Chase Investment Bank of bonds with a two-year maturity and a yield of 13.5 per cent.

THE dollar strengthened against the cruzeiro yesterday in response to Monday's 17 per cent devaluation of the Brazilian currency. By mid-day the black market dollar rate had risen 4 per cent, writes Victoria Griffith in São Paulo.

Mr Kleiber Beltrao, a central bank official, said the decision to devalue was intended to improve Brazil's balance of payments. Other sources within the bank, however, said the devaluation had been accidental, a result of Brazil being forced to replenish its foreign currency reserves.

Petrobras returned to the Eurobond market last month with a further $200m launch, this time with better terms and yield rates, issuing five-year bonds paying 12.25 per cent. The company now plans to raise a total of $1bn in Eurobonds this year and $1.4bn next.

The National Development Bank (BNDES) followed suit, issuing $55m in five-year bonds paying 11.66 per cent. It is planning a further $150m issue.

Two weeks ago Companhia Vale do Rio Doce, the state mining group, raised $200m with the issue of three-year bonds paying 11.75 per cent. Last week Telebras, the state telecommunications company, went to the market with a $200m five-year bond issue.

Brazil's stock market introduced new rules in May allowing direct foreign investment. Traders estimate $3m a day in foreign money is now entering the market.

So far the returns have been good, with Brazil's stock market transformed from the world's worst performing emerging market last year to one of the best this year.

The central bank is hoping to attract further investment by changing laws regulating foreign capital. Mr Gros wants to abolish the surtax of 40-60 per cent charged on remittances exceeding 12 per cent of assets, and have instead a single 25 per cent tax on all remittances.

But since last month's suspension of Brazil's first privatisation, many potential investors have woken up to factors such as the overvaluation of the cruzeiro and monthly inflation figures of about 17 per cent.

Mr Fraga thinks this is a temporary setback and that most investors still see Brazil as a "good long-term contrarian bet".

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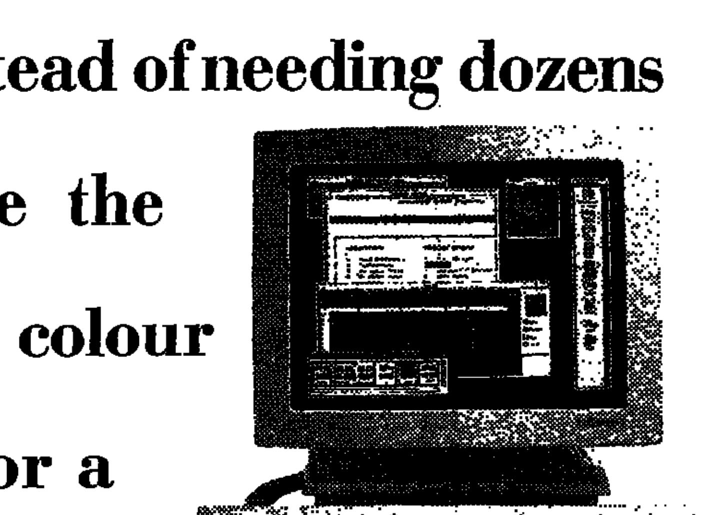

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Outburst hurts Kaifu's chances of staying on

By Stefan Wagstyl in Tokyo

MR Toshiki Kaifu, the Japanese prime minister whose term in office expires this month, has damaged his re-election prospects in a bizarre row with officials of the ruling Liberal Democratic Party over political reform.

The dispute could complicate the run-up to elections to choose a new prime minister at the end of the month. Mr Kaifu still has the support of the LDP's largest faction, that led by Mr Noboru Takeshita, a former prime minister. But the prime minister's behaviour this week has emboldened his opponents. An aide to a senior MP said yesterday: "It will be like war."

Mr Kaifu has repeatedly staked his career on securing the passage of political reform bills which were first mooted two years ago in the wake of the Recruit bribery scandal.

However, most MPs assumed that the bills, which were presented to the Diet (parliament) this summer, would never become law, since, among other things, they involve reducing the number of Diet seats, thereby losing some MPs their jobs.

But Mr Kaifu, supported by some reformist zealots, did not share the general view that the bills should be allowed to fail. So, when officials from the LDP and opposition parties decided on Monday night to axe the bills, Mr Kaifu exploded in anger. The prime minister hinted that he might dissolve his cabinet and the Diet and call a general election.

By yesterday morning, the prime minister had calmed down and told his cabinet that all he wanted was to keep political reform on the agenda. LDP officials indicated that an inter-party committee might be established to further debate political reform.

Nevertheless, the row has embarrassed the LDP by highlighting the gap between a minority of MPs who genuinely support and the majority for whom the commitment is mostly rhetorical.

MPs were surprised by Mr Kaifu's outburst. Throughout his two-year term, the prime minister has obediently carried out the wishes of Mr Takeshita. One political commentator said the outright rejection of the bills was the last straw for Mr Kaifu. "Although he is the robot prime minister, he lost face and he reacted."

The main question now is whether Mr Kaifu has angered so many senior LDP members that he can no longer be considered a candidate for the leadership in the forthcoming contest.

Mr Takeshita's preference was until this week to promote Mr Kaifu's prospects and resist challenges from other faction leaders. But Mr Kaifu's outburst has given fresh ammunition to his opponents who claim that a great power like Japan cannot be run by a puppet prime minister. Mr Takeshita may still ignore their views but the next few weeks will be even rougher for Mr Kaifu, his candidate, that he expected.

Cares of office: Mr Kaifu in parliament yesterday

Iraq ready to rebuild N-weapons capacity

Bronwen Maddox talks to the UN team which discovered skilled designs of nuclear arms

IRAQ could easily rebuild its nuclear weapons programme within five years or less. It is just waiting for the international community to get bored and stop watching.

That is the opinion of Mr David Kay, head of the UN nuclear inspection team now sifting through 25,000 pages of documents in Arabic and 700 rolls of film seized in a nine-day mission to Iraq.

After 10 years and an estimated $10bn of research, Iraq was about 18 months away from having a nuclear weapon, the team has concluded.

The biggest revelation from the papers seized last week in Baghdad and now being studied in Bahrain is Iraq's skill in nuclear weapons design.

Iraqi research centres had drawn up advanced plans for detonators, including the distinctive shaped charges needed for a spherical "implosion bomb" such as the one dropped by the US on Nagasaki in 1945.

The engineering of a spherical bomb is more complex than other types, but it would need only about half the amount of enriched uranium, between 10kg and 15kg.

Iraq had tested the explosives and other components at sites such as al-Atheer, south of Baghdad. Iraq also had some neutron initiators, the triggers for a nuclear chain reaction. Documents seized by the UN suggest that Iraq was exploring both aircraft- and missile-delivered weapons. The findings have enabled the UN to conclude that if Iraq had secured enough enriched uranium for a bomb, construction of the weapons would have provided no obstacle.

Even if all existing facilities were destroyed, Mr Kay believes, they could be rebuilt within a third of the original time if Iraq was not closely monitored.

"Of course we can chop up the equipment, and we'll do so. The research centre at Tuwaitha is already heavily bombed. We can go in and chop up the uranium enrichment equipment at Tarmiya and Al-Sharqat, that's not hard to do...

"But the real problem is that the technical knowledge still exists and is locked away in the heads of thousands of Iraqis, most of them educated in western or Soviet universities," he says.

Even the acquisition of equipment might not pose a problem in the future. Iraq has drawn on a network of hundreds of foreign suppliers over the past decade (although only about 10 played a central role)but it frequently ordered only a few examples to serve as a model for its own production. "They would pull them to bits, and then develop local manufacturing capacity," says Mr Kay.

The Iraqis also ordered similar items from different companies. "It was not a programme that made choices," he said. "If they wanted something, they ordered 10, from different companies – everything was parallel sourced".

"The Iraqis really played the processing game – they knew the rules, and how to order amounts that were just below the trigger thresholds," says Mr Kay.

To keep Iraq free of nuclear weapons, he says, there is no solution but continued investigation. "We have by no means got to the bottom of their programme – it is my personal opinion that they are still concealing the most sophisticated stuff, like the centrifuges for uranium enrichment."

Last week's raid by the inspection team in Baghdad left some questions unanswered. The "major missing piece" for the UN is how much enriched uranium Iraq had produced. "I believe that they had a cascade of centrifuges operating to enrich uranium but that they dismantled it and moved it," he says. "They have chosen to show us only the electromagnetic enrichment facilities because they are old-fashioned and hard to relocate".

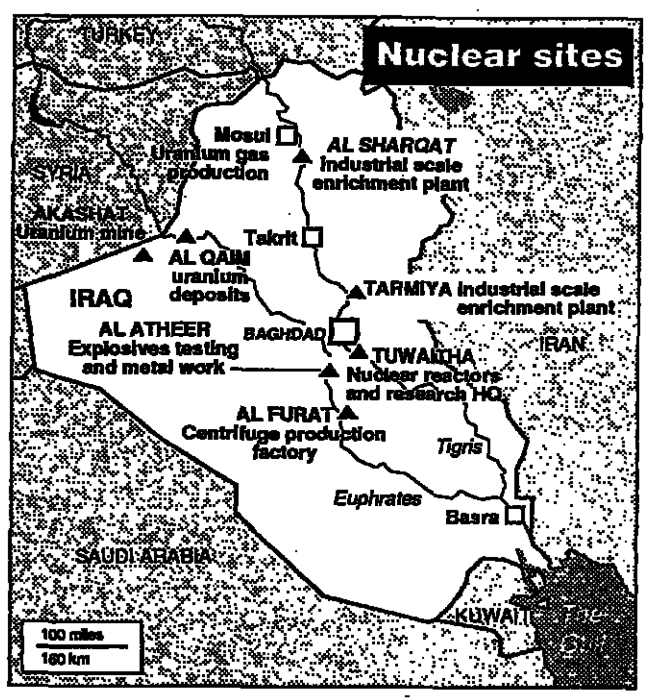
The team was fighting Iraqi obstruction to the end. In their last hour in Baghdad, it found a note reading, "when David Kay leaves, move this equipment to another site".

Mr Kay said: "We are playing cat and mouse with the Iraqis, although last week in the car park (when the Iraqis detained the team for five days) we ended up being the mouse... But we have to convince them it is a futile game. They are banking on the international community getting bored, but the UN team will keep finding enough to maintain that interest."

To prevent another country progressing as far as Iraq with a clandestine programme "there is now real urgency in looking at equipment supply," he says.

Earlier in the week Mr Illke Makipentti, chairman of the Zangger Committee which supervises international trade in some sensitive nuclear-related items said: "There is urgency and there is urgency – we may look at the question of tighter trigger thresholds next year".

Mr Kay rejects such an apparently leisurely approach, saying that the "export regime simply has to be tightened – IAEA inspection alone is not enough".



China sees itself as island of tranquillity in world of chaos

IN A secret speech proclaiming the strength of Chinese communism, China's foreign minister, Qian Qichen, has portrayed his country as an island of tranquillity in a sea of international chaos, Reuter reports from Beijing.

"Only China is stable. The whole world is in a mess," Qian told senior Communist party leaders in a two-hour speech two weeks ago, Chinese sources who heard a recording said on yesterday. His address gave a rare insight into the thinking of Beijing's leadership on recent turbulent changes in the Soviet Union and the consequences for China.

"Some western countries have seen the Soviet Communist party collapse. They think China will be next," Qian said.

"It's the last bastion." China should have tried to prop up socialism in the Soviet Union, its Communist elder brother, but the situation was too far gone, Qian said.

"In practice, there is nothing we can do... We've been criticising them [the Soviet communists] for years and years... but it didn't have any effect. The line they carried out was wrong. Europe is relatively stable, but even they're in a mess," he said.

"There's a civil war in Yugoslavia, the Soviet Union is collapsing, eastern Europe is all screwed up and the European Community is extremely busy from morning till night, acting like a bunch of firemen. But they can't put out this fire."

His speech was one of the first indications of China's view of the enormous changes in the Soviet Union. The official media have been confined to statements that the collapse of communism cannot happen in China.

The speech showed Chinese leaders harbour deep suspicion of the reformist Russian president, Mr Boris Yeltsin, who withstood the coup attempt by hardline communists in August. Qian, a Russian speaker who spent 10 years as an envoy to Moscow, warned the rise of Yeltsin spelled trouble for China, which shares a disputed 7,000km border with the Soviet Union. Mr Yeltsin, whom Qian dubbed a nationalist, could usher in a revival of what he called Great Russian chauvinism.

"If [Mr Yeltsin] goes on like this, it could easily turn into tsarist Russia again," Qian said. Russia's tsars expanded their empire in the Far East and Central Asia in the 19th century when China's imperial dynasty was weak. The former communist allies fought a brief border war in the 1960s, but in recent years have held talks to settle the issue.

Mr Yeltsin was now the real power in the Soviet Union, Qian said, describing the Soviet president, Mr Mikhail Gorbachev, as a has-been.

"Yeltsin is solid and Gorbachev hollow. Yeltsin is strong and Gorbachev weak," Qian said. For this reason, the west was making a mistake in continuing to work with Mr Gorbachev, he added. "Yeltsin has real power, whereas Gorbachev retains his position in name only," Qian said.

Australian deficit falls to A$925m

By Kevin Brown in Sydney

AUSTRALIA'S current account deficit fell by 39 per cent to A$925m ($740m) in August, cutting the annualised deficit to about 60 per cent of last year's record A$22bn. In seasonally adjusted terms, the monthly deficit fell by 47 per cent to A$575m – the lowest since January 1988.

The improvement was caused mainly by an increase of A$585m in the merchandise trade surplus to a record A$950m. The increase reflected a 12 per cent fall in imports and a 1 per cent increase in exports.

Mr John Kerin, the treasurer (finance minister), said the figures showed Australians were "getting close to living within our means". He said improved competitiveness would prevent a resurgence of imports when the economy recovers.

Economists said the fall in imports reflected a slowdown in the economy caused by the government's tight monetary policy, which has kept real interest rates above average levels in the Organisation for Economic Co-operation and Development (OECD).

The robust performance of exports was a surprise because of the strength of the Australian dollar, which traded at an average rate of 78.24 US cents during the month, compared with 77.11 cents in July.

The dollar has since risen to about 80 US cents, further increasing the US dollar value of Australian goods and worsening the outlook for exports. The trade weighted index stands at 60.6 compared with 59.2 a year ago.

The value of exports is also likely to be hit in coming months by weakening global prices for agricultural and mineral commodities.

Jonas Savimbi, leader of the National Union for the total Independence of Angola, acknowledges cheers of his supporters at a rally yesterday to celebrate his return to Luanda, the capital, after a 16-year civil war which ended in a ceasefire earlier this year

Governor-general resigns in PNG

A constitutional crisis in Papua New Guinea (PNG) was defused yesterday when Sir Serei Eri, the governor-general, resigned after a meeting with Mr Rabbie Namaliu, the prime minister, writes Kevin Brown.

Sir Serei's resignation was later accepted by the cabinet, ending a stand-off in which the governor-general had defied the government and courts. The crisis began when Sir Serei refused to remove from parliament Mr Ted Diro, deputy prime minister, found guilty on 81 counts of corruption and misbehaviour relating to the forest industry.

Togo soldiers retake radio station in coup attempt

RENEGADE soldiers retook control of Togo's national radio station yesterday after an earlier failed coup in which six to eight people were reported killed, witnesses said, Reuter reports from Lomé.

Earlier in the day Mr Kokou Koffigoh, Togo's prime minister, appealed for calm in the small West African state and said the soldiers who had seized the radio had returned to the barracks and order had been restored.

The soldiers had earlier broadcast a message saying they had dissolved the High Council of the Republic, a civilian transitional government formed at a pro-democracy conference in August.

A diplomat who heard the earlier broadcast said they voiced complaints against the civilian administration and went on to list specific pay demands. He said it was too soon to say how many soldiers were involved.

The soldiers had said they rejected reforms decided at the August conference, which was conceded after riots and street protests this year in which more than 20 people died.

Pakistan's sell-off plan sparks 400 inquiries

By William Dullforce in Geneva

PAKISTAN has sold more than 400 prospectuses to investors interested in the public companies it has put up for sale, Mr Sartaj Aziz, the finance minister, said here yesterday.

Separately, the minister said that a US company, which he did not name, was conducting a study into the feasibility of building a coastal steel plant with an output of 1.5m tons a year near the new port of Gavadar.

Mr Aziz, accompanied by 12 Pakistani industrialists, was in Geneva to explain his government's programme of economic reform and privatisation to 28 leading European businessmen at a two-day seminar organised by the World Economic Forum.

The government's objective was to open to private investment a broad swathe of operations in telecommunications, power, roads, airlines, shipping and ports, he said.

Pakistan has invited bids for 115 public sector enterprises, including producers of cement, textiles, fertiliser and cars, with annual turnovers ranging from $100,000 to $200m (£115m). The sale of 400 prospectuses at $200 each indicated that interest in the companies was strong, Mr Aziz said.

Twelve of the inquiries had come from Japan, Saudi Arabia and other Arab states.

October 10 is the deadline for bids which would be opened and recorded publicly, the minister said. One company manufacturing synthetic fibres had attracted 20 inquiries. The government would consider making public share offers for companies for which investors' bids were assessed to be too low, Mr Aziz said.

The credibility of the government's economic reforms had been reinforced by an agreement last week in Islamabad with officials from the International Monetary Fund removing obstacles to the release of a $140m loan under the fund's structural adjustment facility. The agreement also opened the way for the World Bank to advance $350m in loans.

Zaire continues slide to anarchy and turmoil

President Mobutu is the main obstacle to democratic change, **writes Julian Ozanne**

SHROUDED in all the symbols of absolutist authority, President Mobutu Sese Seko of Zaire seems unaware that his country stands on the brink of chaos.

The events of last week – a mutiny in the army over abysmal pay, rioting and looting throughout the country, the intervention of French and Belgian troops to restore a veneer of law and order and evacuate their nationals – have re-ignited the deep sources of discontent which have spilled over into violence and rebellion throughout Zaire's 31 years of independence.

Two choices face the president: a radical overhaul of the entire system of government, which would almost certainly spell the end of his monarchical rule, or a continued drift into turmoil and the disintegration of the nation.

But, rather than a sense of urgency, all that is emerging is a political tussle between the president and Mr Etienne Tshisekedi, the opponent he has chosen to form a crisis government, over exactly how much power the new administration will yield over the army and exchequer and to whom it will be accountable.

Such political wrangling leaves the twin causes of the present crisis unsolved. These are the profound economic catastrophe which has forced many Zaireans, including soldiers, into desperate poverty and violence and the failure to move towards a genuine participatory democracy.

Zaire's banks remain closed; money, food and medicines are in short supply. Prices of staple foods, like cassava and rice, are rocketing. Thousands of people, already on the poverty line, have been left unemployed, turning up for work at looted and gutted factories to find their expatriate bosses have fled the country.

Mr Mobutu, who holds the key to any transition in Zaire, still refuses to articulate a commitment to a new political and economic order. "It is impossible for him to manage change. He is, and always will be, a traditional African dictator," says Professor Kabuya Lumuna, head of the politics department at the University of Kinshasa. "For the good of the country he should be ensuring stability of the state and thinking about the best way to finish his epoch. Instead he is trying to maintain the status quo, and that spells disaster."

With the military, material and moral support of France, Belgium and the US, Mr Mobutu has deftly withstood recurrent crises and rebellions and is widely credited as having held together a country four times the size of France with a population of some 35m people composed of more than 200 different tribes.

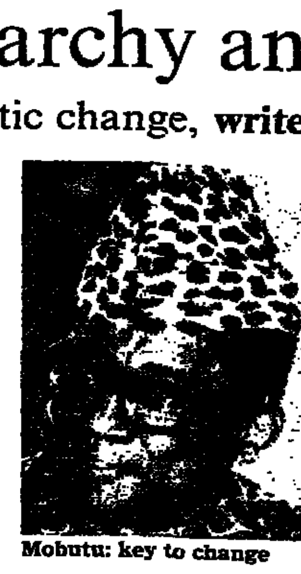
But the deepening economic crisis of hyper-inflation, growing urban poverty, and the virtual collapse of the country's infrastructure and state-owned companies make this crisis unlike any other.

For the first time, it is the people of the capital and the army, traditionally Mr Mobutu's power base and one of the only national institutions, which led the violent eruption last week. "Mr Mobutu has always justified his rule by saying 'After me the deluge'," says Mr Tshisekedi. "But the deluge is already here."

Furthermore, Washington, Brussels and Paris no longer view "the Marshal" as vital to the stability of the country or as a necessary bulwark against the spread of communist influence in the region.

Instead they now fear that under Mr Mobutu, Zaire may be heading for disintegration, a collapse of its mineral-rich economy and the inevitable spillover of instability into its nine neighbouring states.

Of particular concern is the resurgence of ethnic and regional-based rebellions in Upper Zaire, Kasai, Kivu and the southern copper and cobalt province of Shaba (formerly Katanga). Twice, the people from the Lunda tribe in Shaba have rebelled violently, and temporarily seceded from Zaire. Both times the rebellions had to be quashed with the assistance of foreign troops.



Mobutu: key to change

Many of the political and economic reasons for rebellion against rule by central government had diminished in the last decade. Mr Mobutu has skilfully co-opted leaders from the different tribes and provinces. At a cost of $1.3bn he also built a power line from Matadi to the copper belt, ensuring that Shaba province would depend on a unified state for its power needs.

Now, however, it seems that only with Mr Mobutu out of the country can stability be guaranteed. But even if he is beginning to think of an "honourable" exit, there is the problem about to whom he would feel able and willing to hand over power. A military figure would be unable to win either internal or external support. There are serious question marks about the credibility and support enjoyed by the men of the opposition, most of whom have served in the corrupt and oppressive upper echelons of his governments.

Perhaps the only hope for the country rests in a genuinely legitimate and democratic National Conference throwing up a new political leadership from Zaire's frustrated younger generation. But neither the opposition nor the president wants that to happen.

The presence of French and Belgian paratroopers continues to ensure a fragile calm in the country, but this must be temporary. Without a credible crisis government taking full authority, optimism about peace in Zaire is an ever-waning commodity.

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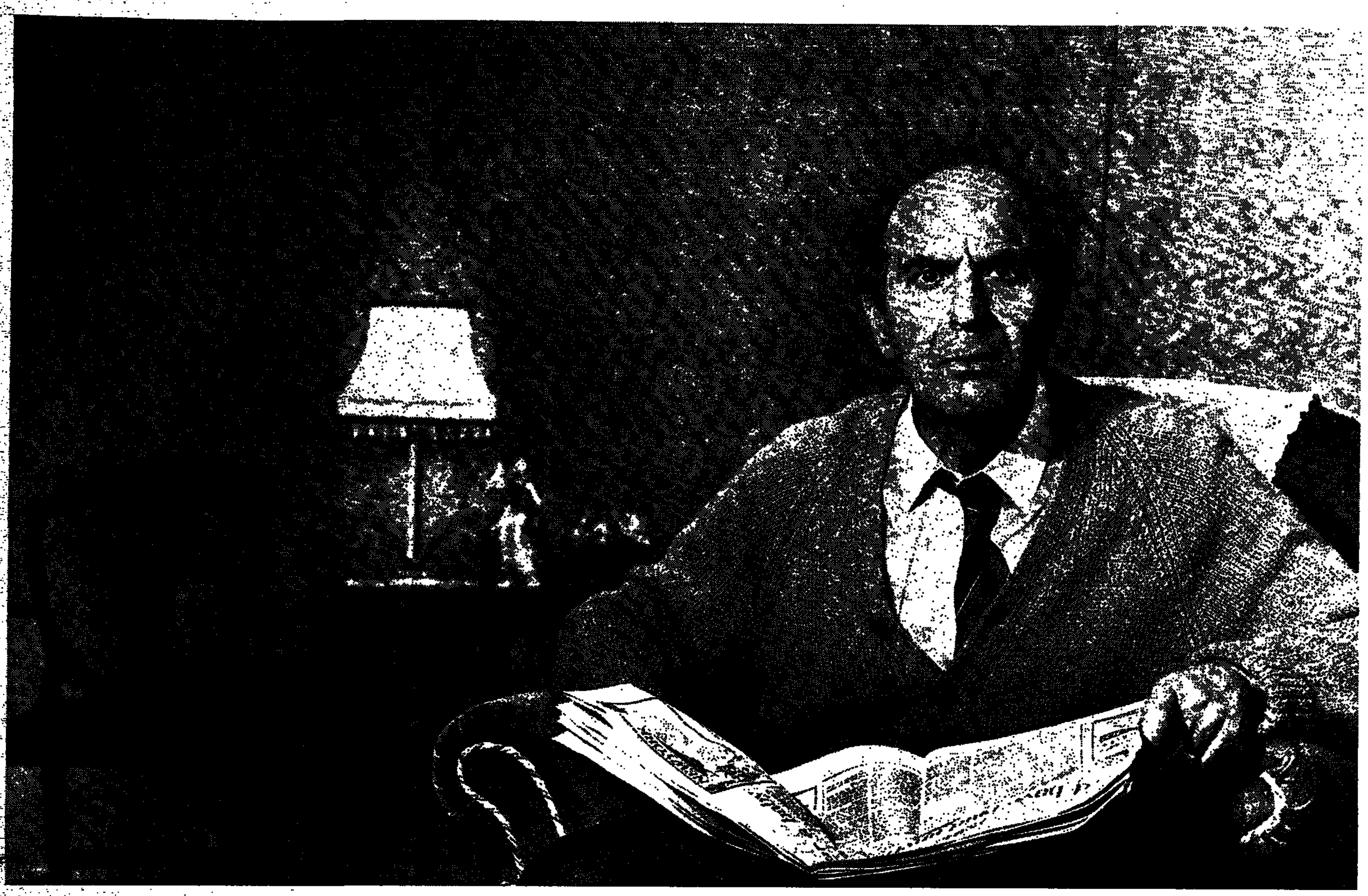

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Britain set to back £700m credits for exports to Kuwait

By Victor Mallet, Middle East Correspondent, in London and Emiko Terazono in Tokyo

BRITAIN is expected to provide an estimated £700m of credit guarantees for exports to Kuwait under an outline agreement to be signed shortly with the Kuwaiti government.

The proposed British cover for Kuwait, to be managed by the Export Credits Guarantee Department, follows similar deals between Kuwait and the US, Canada, and the Netherlands. Other exporters in the EC are likely to follow suit, and yesterday Japan resumed official insurance for exports to Kuwait.

US and British companies have been prominent in the $20bn (£11.4bn) effort to rebuild Kuwait since the allies drove Iraqi forces out of Kuwait in February. British companies are already said to have won some £500m of contracts, which should be more than covered by the forthcoming credit lines. The ECGD will guarantee credits from banks and exporters.

In many cases, Kuwait has been paying in cash, but the damage to the country's oil wells and the slow pace of talks on international loans may make export credits vital for the smooth running of trade and projects in Kuwait. Various export credit agencies have had problems grappling with the Kuwaiti bureaucracy following the liberation of the country, partly because the hitherto wealthy Kuwaiti administration is accustomed to lending and investing but unfamiliar with the practicalities of borrowing.

Among the countries providing facilities for Kuwait are:

- Japan, whose Ministry of International Trade and Industry (Miti) resumed insurance on exports to Kuwait yesterday. Cover had been suspended since August 1990.

Exports under Y3bn (£12.9m) are to be insured if accompanied by a letter of credit. Miti expects exports to rise to the same levels as before the Gulf conflict. Japanese companies, however, are still wary. Mitsui trading house said that although it had started sending sundry goods to Kuwait, exports of products such as heavy machinery had not resumed.

- The US, where Eximbank signed a framework agreement with the Kuwait Investment Authority last month for up to $2bn of financing. Eximbank said its support would be mainly in the form of guarantees of credit facilities from private lenders to Kuwait. Transactions under such facilities could be "bundled" and placed in capital markets, Eximbank said. The idea is to streamline the application system by establishing a central point in Kuwait for submitting requests for financing, thereby eliminating the need for individual US exporters or Kuwaiti government departments to make separate applications to Eximbank.
- Canada, which signed a memorandum of understanding with Kuwait last week for a $500m credit line to be provided by the Export Development Corporation. Canadian companies have won contracts worth C$160m (£80.8m) in the past six months.
- The Netherlands, whose ABN-AMRO Bank is trying to arrange a $600m facility insured by NCM, the Dutch credit insurer. This was agreed in outline in June.

EC foreign ministers yesterday authorised the EC Commission to negotiate a more liberal regime for imports from Gulf states of petrochemical and other products, Community sources said, Reuter reports from Brussels. The ministers approved a plan to cut the list of sensitive products involving the stiffest import curbs and to speed the dismantling of trade barriers affecting the six Gulf Co-operation Council states.

Foreign cars flow into Brazil to meet a surging demand

ANTONIO da Silva is proud of his new Lada taxi. "It's imported from Russia," he tells his passengers, Victoria Griffith writes from São Paulo. Since the ban on foreign car imports ended last year, cars have been flowing into Brazil from all over the world.

Some 25,000 foreign cars have entered this year. An imported BMW used to turn heads in São Paulo. Now, such cars are common outside the city's clubs and restaurants. The number of car imports is still small compared to the 750,000 vehicles the domestic car industry puts out every year. But sales are remarkable, considering Brazil levies a 60 per cent import tax on all foreign cars. A series of other taxes, including those on shipping and insurance, raises the cost to the Brazilian consumer to 3¼-4¼ times the price in other markets.

Volvo's top model, the 960, goes for $126,000 (£72,500), four times its retail price in the US. But the company says it has sold 30 of the 960 models in the past few months. Prices here seem outrageously high by foreign standards, but imported cars in Brazil have never been cheaper.

Until last year, the only foreign models allowed into the Brazilian market were those belonging to foreign diplomats or businessmen stationed in Brazil. Two years ago, a Mercedes Benz 500 SEC fetched $400,000 here. Some diplomats made large profits importing cars to resell on the Brazilian market.

The success of foreign cars in Brazil is based on more than just a yen for luxury. Brazilians are frustrated with domestic models for several reasons, including high prices. "Foreign cars use technology superior to that used in Brazilian models," said Mr Luiz Marcello, head of marketing for Volvo, which also makes trucks in Brazil.

A severe shortage of new cars on the home market has boosted imports. Multinationals here blame federal price controls and labour strikes for their inability to fulfil the demand for cars. The Brazilian Car Dealers Association estimates 17,000 showrooms in this country are facing shortages. The shortage has made the Lada the best-selling foreign model in Brazil, with 16,000 sold in the first eight months of this year. "Most of those who purchase this car couldn't find a new model among the domestic makers," says Mr Emilio Julianelli, vice-president of Lada Brazil.

Utility vehicles may also have huge import potential. Even amid a law suit with the Rover group of the UK, Mr Hilton Pereira, who claims to own the Land Rover trademark here, says he has no trouble selling Range Rovers he imports. "Brazil was starved of options in the car market for many years. There is really no domestic competition in utility vehicles. In a country where most of the roads are unpaved, there's certainly a lot more market potential."

The government has promised to lower import tax on foreign vehicles from 60 to 50 per cent next year, and importers hope this will further boost foreign car sales.

US dissatisfied with Seoul's slow financial reform

By John Ridding in Seoul

THE US is dissatisfied with South Korea's slow pace of financial reform, a senior US treasury official said yesterday.

"Korea clearly lags behind the international consensus with respect to the liberalisation of financial services," said Mr Olin Wethington, the treasury department's assistant secretary for international affairs. After the third round of bilateral financial policy talks, held in Seoul, Mr Wethington said: "I am leaving with a feeling that Korea doesn't know where it is going on liberalisation."

South Korea has recently announced a number of proposals for liberalising interest rates and the foreign exchange market, and is to allow limited direct foreign investment in the stock market from the start of next year. But trading partners have complained the measures are limited in scope and will be only gradually implemented.

Mr Wethington described the opening of the stock market as an important step, but said that generally, there had been "little forward motion. "I don't believe that the Korean body politic yet appreciates the benefits of liberalisation," he said, citing the restrictions on interest rates and foreign exchange flows and the funding difficulties of foreign banks as outstanding problems.

South Korean officials rejected the criticism. "They did not really look into our proposals," said one official in the international division of the ministry of finance. "You have to remember that the US and Japan both took more than 10 years to liberalise interest rates. We are planning to do it in less than that."

With respect to the problems of local currency funding faced by foreign banks in Seoul, the Korean official said it was not in the government's jurisdiction. "It is the call market that is discriminating, not us," he declared, adding that there is a similar interest rate gap between local and foreign institutions in Japan.

During the talks, the South Korean delegation said they would increase the ability of foreign banks to raise funds through the issue of certificates of deposit. According to the ministry of finance, foreign banks will from this month be allowed to issue certificates of deposit worth 200 per cent of capital, up from the current level of 175 per cent. But the Korean delegation resisted US calls to expand its system of deferred payments for imports.

Indian devaluation hits IOL oxygen plant plan

By David Dodwell, World Trade Editor

THE plans of IOL, the Indian associate of the BOC group, to build a 100-tonnes-a-day oxygen plant in Rajasthan have been put in jeopardy by sweeping economic reforms by the Indian government.

Mr Robert MacFarland, chief executive of BOC's overseas division, said the recent rupee devaluation and premiums for foreign currency rights were likely to boost the rupee cost of the plant by about 50 per cent, from Rs335m to at least Rs500m (£11m).

The IOL board will decide in the next few weeks whether to go ahead with the plant, which was intended to supply Hindustan Copper with oxygen at its plant in Khetri, south west of New Delhi. Much will depend on whether IOL can renegotiate the price at which it sells oxygen to Hindustan Copper. The higher construction costs are likely to add 10-20 per cent to the cost of oxygen.

"For the long term, what has been happening in India since the last election is exactly what we all hoped would happen," said Mr MacFarland. "But in the short term, measures have created a lot of uncertainty. Things are going to be bumpy, and this causes us to think hard about the timing of commitments."

Two devaluations at the beginning of July cut the dollar value of the rupee by almost 19 per cent. The introduction of eximscrip, a new instrument giving domestic Indian companies access to foreign exchange purchasing power, albeit at a premium, also contributed significantly to IOL's higher project cost. Capital equipment worth £5.5m needs to be imported for the plant. At one point the eximscrip premium was 50 per cent above the official rupee-dollar exchange rate. It has since fallen to around 30 per cent, still adding about Rs75m to the cost of the plant.

Canada, Singapore joined in air services pact row

CANADA and Singapore have become embroiled in a heated row over Ottawa's decision to revoke a seven-year-old bilateral air services agreement, Bernard Simon reports from Toronto.

In newspaper advertisements yesterday, Singapore Airlines urged air travellers to protest at the Canadian decision, which will end its three weekly flights between Toronto and Singapore next August.

Singapore Airlines has angered the Canadians by drawing a sizeable chunk of transatlantic traffic from Air Canada and Canadian Airlines International since it began its Toronto-Singapore service last June via Amsterdam and Vienna.

Air Canada withdrew from the Toronto-Singapore route, via London and Bombay, last January after failing to attract sufficient numbers of full-fare business travellers. Singapore Airlines' two weekly westbound flights from Vancouver will also be threatened if the air services agreement is terminated. Talks broke down in Ottawa last month after the Canadians rejected offers by Singapore Airlines to drop the stop in Vienna, or to operate a joint service with either of the Canadian carriers.

Monopoly charges threat against wrapping makers

By Emiko Terazono

THE Japanese Fair Trade Commission (FTC) is considering filing criminal charges against eight leading plastic film food wrapping makers – Mitsui Toatsu Chemicals, Mitsubishi Plastics Industries, Shin-Etsu Polymer, Denki Kagaku Kogyo, Nippon Carbide Industries, Riken Vinyl Industry, Borden International and Gunze – for possible violation of the anti-monopoly law.

The move is seen as a response to pressure from the US for tougher anti-monopoly legislation, including actions launched against violators.

Most of the eight companies, which produce roughly 90 per cent of the annual production of 120,000 tonnes, have previous records of violating the anti-monopoly law. If the FTC decides to take legal action against them, it will be the first since 1974, when oil distributors were charged for forming a price cartel.

Mitsui Toatsu Chemicals denied the allegations and said it had raised plastic food wrapping prices in response to the rise in naphtha prices after Iraq's invasion of Kuwait in August 1990. Shin-Etsu Polymer said it had notified clients in May that the company had withdrawn from all industry group-based discussions and decisions.

Chalker's aid priorities

THE priority for Britain's aid programme should be to back economic reform and encourage private-sector growth in eastern Europe and the developing world, Mrs Lynda Chalker, Minister for Overseas Development, said yesterday, David Dodwell reports.

She told a seminar at the London-based Institute of Economic Affairs, that aid policy would be aimed at creating:

- an "enabling environment", unshackling the private sector, removing trade barriers and unnecessary regulation, and encouraging governments to welcome foreign investment;
- a "level playing field", opening business to competition, removing monopolies, and banishing favouritism.

The government had a three-pronged approach.

This was to provide technical help, boost the role of the Commonwealth Development Corporation and channel aid to small-scale enterprise.

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BT signals end of new portable telephone system

By Alan Cane

ANOTHER nail was hammered into the coffin of the ill-fated Telepoint portable telephone system yesterday when BT suspended its Phonepoint operations.

The decision surprised telecommunications experts, who had understood that BT, formerly known as British Telecom, was preparing to relaunch the service.

Telepoint offered a portable telephone service which was lighter, cheaper and more reliable than cellular radio, the technology used for most portable telephone operations.

Since its launch in 1989, however, Telepoint has proved a dismal failure. The government expectation was that there would be as many as 13m subscribers by the end of the century. But there are fewer than 10,000 owners of Telepoint telephones in the UK. With the withdrawal of Phonepoint, none of the four operators is currently offering a service.

Telepoint was based on a network of base stations placed in underground stations and other public places. Telepoint telephones could be used to make outgoing telephone calls as long as the caller was within 100 metres of one of these base stations.

The service was plagued, however, by a combination of a shortage of base stations, too many competitors and poor marketing.

The Phonepoint consortium, comprising BT, France Telecom, Deutsche Bundespost Telekom, Nynex International and Northern Telecom, said it was suspending the service because of adverse market conditions. There are some 3,300 Phonepoint base stations in the UK but only 800 customers.

Another consortium, Mercury Callpoint, closed its operations in July. Mercury, owned by Cable and Wireless, Motorola and Shaye Communications, blamed excessive competition and the recession for its decision to wind down operations. Ferranti sold its Zonephone business in July. Byps, owned by Barclays Bank, Philips and Shell, was sold earlier this year to Hutchinson Telecommunications, a subsidiary of the Hong Kong based group Hutchinson Whampoa, which is believed to be preparing the system for relaunch.

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Kinnock looks to Europe's first division

By Ivo Dawnay, Political Correspondent

MR NEIL Kinnock, leader of Britain's opposition Labour party, presented himself as the prime-minister-in waiting yesterday as he told his annual conference he would head a government capable of leading Britain to a "better future".

In a powerful speech delivered on the morning after the government ruled out a November election, he sketched out Labour's plans "to put Britain in Europe's first division."

His hour-long address to delegates in Brighton played heavily on the contrast between Labour's pledges to upgrade state health and education services and "a government determined to ram the market system into every corner of national life and public service."

It concluded with an unprecedented five-minute standing ovation from 3,000 rapturous delegates, followed by an impromptu chorus of the protest song "We shall overcome".

Throughout the speech, which was frequently interrupted with prolonged applause, Mr Kinnock stressed that Labour was ready with the policies to turn Britain into a modern economy along a European model.

"People look at the state of our society and they look at our neighbours in the rest of the European Community," he said. "They see the high standards of training, the quality of child care , the investment in public transport and they ask: 'Why not here?'

"And the answer is it can change. We can do it here with a Labour government."

Labour's programme did not come from higher public spending but from sustained economic success along lines practiced by European parties of all political colours. He went on to emphasise the importance of primary schools and of adult training programmes, alongside fiscal incentives to invest in innovation.

"That is the basic difference between ourselves and the Tories. We will actively engage in building the productive strength of our country," he added.

For most delegates the speech hit just the right tone of optimism and change by spelling out Labour's programme while drawing sharp contrasts with the record and policies of the Tory government.

Bookmakers William Hill yesterday decided that May has overtaken March as the favourite month for Mr Major to call the general election. Britons betting on the election date were quoted odds of 1-2 on a poll in early summer. June is second favourite at 7-2, followed by March at 5-1. The Conservatives are 8-13 favourites to win the election, with Labour 6-5 and the Liberal Democrats 150-1.

Opening with a ferocious assault on the government's decision to postpone an election until next year, the Labour leader said the Tories were now afraid of the electorate. "You can postpone the people's choice. You will not change the people's verdict," he warned.

"You can run, but you can't hide."

His speech studiously ignored recent criticism of his leadership and made no direct reference to Mr John Major or the Liberal Democrats. He also surprised delegates by pledging that Labour would introduce fixed term parliaments

Later, in a key passage signalling Labour's strategy for the coming election he claimed that the NHS would be a focal issue. "Those who vote Labour will be voting to build the NHS, those who vote otherwise will be voting to allow the break up of the NHS," he said.

"That will be the choice."

In a concluding section, he emphasised Labour's commitment to constitutional changes through a Freedom of Information Bill, a Bill of Rights, devolution and reform of the House of Lords, hinting that Labour also remained open to debate on electoral reform.

In London, Mr Chris Patten, the Tory party chairman, dismissed Mr Kinnock's speech as "one long, and extremely familiar, wish list without a price tag".

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Terry Kirk

Kinnock: 'We can do it with a Labour government'

EUROPE

Policy on integration wins party backing

By Ralph Atkins

LABOUR's leadership won backing yesterday for an ever more positive stance on European integration – including a single currency – as the party's pro-European wing dominated a brief debate on the European Community.

Mr Glyn Ford, leader of the Labour European parliamentary party, stretched to the limit the party's policy on a economic and monetary union, saying: "We need a single currency to help our exporters, our workers, to produce and sell goods in the rest of Europe."

Economic convergence – which Labour sets as condition for a single currency – would come "by working not waiting," he said.

Mr Gerald Kaufman, shadow foreign secretary, commented beforehand that Labour's concern was with the political accountability of the new European central bank and positive policies for convergence. But there had to be negotiation and "in any negotiations you don't get 100 per cent of what you want," he said.

The conference debate, which foreshadowed a long foreign policy debate tomorrow, did not hear a single anti-European speech, despite the known scepticism of many Labour MPs. It highlighted the conversion the party has undergone in recent years.

Mr George Robertson, European spokesman, told the conference: "Europe, whether you love it or hate it, is where we must negotiate...This is our home, we are Europeans."

The conference passed overwhelmingly a motion supporting the Social Charter, the creation of a democratically accountable European central bank, moves towards economic and monetary union.

There were calls for stronger links with other European socialists. Mr Bill Jordan, of the Amalgamated Engineering Union, said: "The British public are pro-European. They are seeing the widening prosperity gap between Britain and our near neighbours. They understand the potential of Europe."

Water companies agree to curb price increases

By Richard Evans

MOST WATER companies in England and Wales have agreed to moderate their price increases in the year from next April following pressure from the industry's regulator, but the rises will still be well above the rate of inflation.

Following a series of robust warnings from the regulator, Mr Ian Byatt, director general of the Office of Water Services (Ofwat), about the need for lower price rises given the unexpectedly high level of profits and dividends, eight of the 10 privatised water companies announced yesterday they intended to introduce lower price rises next year.

Anglian Water is still considering whether it should reduce its increase, and South West Water has applied for an increase in charges because of additional capital expenditure requirements.

Most of the 24 statutory water companies, which supply a quarter of the water in England and Wales, also intend to reduce their planned increases.

In spite of voluntary reductions, which have headed off a damaging confrontation between some of the companies and Ofwat, customers will face stiff increases next year averaging around 4 per cent above the rate of inflation. This should mean rises in bills of around 7 to 8 per cent.

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ELECTION STRATEGY

Party sets new targets as phoney war ends

LABOUR'S election strategists were yesterday greeting the anti-climactic end of the month-long "phoney election" with mixed emotions as they set about adjusting their sights to a long endgame in the battle for Downing street, writes Ivo Dawnay.

Nobody doubted that Mr John Major's decision to end the speculation over a November poll represented a tactical victory and tacit confirmation of Tory fears that they could not be sure to win.

Conversely, however, the more cautious could not ignore the parallel conclusion that the Conservatives think they have a better chance next spring.

But the parliamentary pitfalls lying ahead for the Tories plus the prospect of a harrying, guerrilla war of attrition left most conference delegates soberly concluding the delay may be good news.

"We are in the unglamorous business of closing off options," said Mr Bryan Gould, the party's environment spokesman. "The paradox is that by demanding an early election, we have had the success of forcing him to go long and look like a government running into the buffers."

With doubts over November removed, Labour's campaign organisers are now devising a programme of speeches for the leadership, aimed at building on the positive policy messages being skilfully diffused at the conference.

The main themes of Mr Neil Kinnock's speech yesterday afternoon will be disseminated in repeat performances by frontbench spokesmen in carefully-timed engagements, replete with apposite sound bites, around the country.

In place of the 51 exhaustive policy statements released over the past parliamentary year, Labour's campaign will switch to hammering home its promise of prudent, competent, and enlightened government to the voters themselves.

The parliamentary party, meanwhile, will be on constant alert for the kind of unforeseen upsets, such as the Bank of Credit and Commerce International affair or new Tory internal rows over Europe, with which to belabour and embarrass the government frontbench.

The complex council tax legislation, new poll tax bills themselves, the up-coming round of National Health Service opt-outs and rising unemployment will all provide fruitful sources for fresh ammunition, campaign chiefs believe.

Furthermore, if the economic indicators do continue to show an upturn, there is a widely-held belief that the "feel good factor" may be slow in feeding through to the electorate, a point to be empahsised again and again at question time.

Labour's campaigners believe there is almost unlimited mileage to be made from stressing that a Tory vote is for "more of the same", a Labour one, for change.

That said, the much repeated phrase from Mr Jack Cunningham, the party's campaign co-ordinator, yesterday that Mr Major "cannot keep running forever" only served to remind his audiences of the exhausting pace of what already feels like a near endless full-blown election campaign.

Stamina will play a key part in its outcome. But buoyed by the adrenalin of the race, most party loyalists believe they are fit enough to see it through to the end.

"We are a very efficient campaigning outfit now," Mr Gould insisted. "We are good at this."

"Growth is the goal, profit is the measure, security is the result."

A business leader

Annual reports are the pride and joy of any company – as long as the latest figures outshine last year's. To achieve this, management has no safe route, but a choice of risks. "Business as usual", if it exists, certainly faces a major challenge with the emerging European Single Market.

For us, 1992 has already arrived. To assist those managers who look to the European Single Market as promising new opportunities but also posing new insurance problems, we've come up with a distinctive European solution: the Zurich Europolicy. Its advantages for you?

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Don't forget: "multilocal" means local too. Even if your interests are closer to home, there is every reason to seek a financially sound partner with first-hand knowledge of international developments. Whatever your plans, talk to us. Our business is worldwide security. Call your local Zurich office for more information.

ZURICH INTERNATIONAL

GLOBAL SECURITY

TV film backs allegations over RUC conspiracy

By Richard Donkin

A FILM documentary to be shown on British television tonight claims to have uncovered new evidence to support allegations that officers in the Royal Ulster Constabulary (RUC) are conspiring with the security forces and senior protestant businessmen to plan murders of republican sympathisers in Northern Ireland.

Channel 4's Dispatches programme, challenges the findings of the independent police inquiry into the RUC carried out two years ago by Mr John Stevens, then deputy chief constable of Cambridgeshire, which concluded that only a small number of policemen and soldiers were colluding in paramilitary killings.

Allegations that collusion is far more widespread and organised are likely to fuel nationalist protests against the RUC after the weekend killing by police of a teenage boy.

The documentary includes an interview with an unidentified individual who claims to be a member of a central co-ordinating committee of loyalists which liaises with a so-called Inner Force of RUC officers. It is claimed the Inner Force has access to police and security files, and has helped plan a number of killings by Protestant paramilitary groups.

The RUC said yesterday Mr Stevens' investigation had found no evidence of an inner circle of officers.

The Dispatches team says the Stevens investigation – which discovered that personal details of almost 1,000 Republican suspects had been leaked from police documents and security files – was put off the scent by loyalists who kept track of its movements.

The documentary outlines four murders which the informant says were co-ordinated by the committee.

Three of the killings involved known republican sympathisers, but one was a tit for tat murder of a Roman Catholic with no known political or terrorist affiliations.

● Four former detectives who investigated the 1974 Birmingham pub bombings are to stand trial for conspiracy to pervert the course of justice and perjury.The four are summonsed to appear before Bow Street magistrates' in London, on November 19.

Inflation cuts into British Council fund

By Robert Mauthner

THE British Council, the country's main agency for promoting culture and the English language, yesterday warned that its work was threatened by the erosion of its government grant by inflation and plans to privatise part of the UK's aid programme.

Sir Richard Francis, the council's director-general, said in the organisation's annual report the council was left with a budget shortfall of £2.4m that in spite of healthy growth in 1990-91, when receipts rose 3 per cent in real terms to £362m.

This had to be made good by reducing the council's services in 52 countries. Moreover, in spite of a 6 per cent increase last year in the Foreign and Commonwealth Office's core grant, the council faced the prospect of a grant-in-aid budgetary decline of about £15m a year by 1994-95, on current official inflation forecasts.

"The progressive reduction of Britain's cultural presence overseas would be in many ways unthinkable at a time when the opportunities for Britain in this field have never been greater," Sir Richard said.

The council has offices in 162 towns in 92 countries. Offices have been reopened in Buenos Aires after a nine-year break following the Falklands war, and in Windhoek, Namibia.

Britain follows US trend as poverty worsens

By Alan Pike, Social Affairs Correspondent

THE PATTERN of poverty in Britain is moving away from the European model and towards that of the US, according to an comparative study conducted by academics in seven countries.

One central findings is that, while the US experienced steadier economic growth and comparatively lower unemployment than much of Europe during the 1980s, its poverty problems worsened.

Poverty in Britain is shown by the research to have progressed on similar lines to that of the US.

A report by Mr Roger Lawson, senior lecturer in social policy at Southampton University who co-chaired the project, says that at the end of the 1970s UK poverty rates were similar to those of Germany, the Netherlands and Sweden and generally lower than France.

But the mid-1980s, UK poverty levels for most types of household were "markedly higher than the levels in these other European countries."

During the 1980s poverty levels among families with children "accelerated at a much faster rate than elsewhere, overtaking all but the US levels."

According to the research, co-ordinated by the Joint Center for Political and Economic Studies in the US, the percentage of British working-age couples receiving less than half median average household income rose from 8.2 per cent in 1979 to 16.6 per cent in 1986. The US rate rose, although less steeply, from 14.5 per cent to 17.9 per cent during the same period.

By comparison, the Swedish and French rates fell slightly between the early and mid-1980s, while the rate of increase in the Netherlands was only from 6.6 per cent to 7.2 per cent and in West Germany from 5.6 to 7.1 per cent.

The study estimates that in 1979, 4.3 per cent of British families with children were below the "more severe poverty line" and receiving less than 40 per cent of average household income. By 1986, the rate had doubled to 8.6 per cent.

Lawson says these and other results from the survey indicate that by the mid-1980s "the configuration of poverty in Britain, previously similar to that of other European welfare states, was much closer to the North American pattern." Although the conclusions are confined to data up to the mid-1980s, he says there is no evidence to indicate that the pattern has changed again since then.

Researchers found that over a three year period during the mid-1980s, most poor families in West Germany, Luxembourg and the Netherlands were able to "escape poverty" by raising their incomes above the poverty line, while in the US one in seven families were in poverty throughout the period.

Comparable information on the mobility of Britain's poor was not available.

The research concludes that new groups had been exposed to poverty in all the countries studied with the young, working-age families with children and ethnic minorities affected disproportionately.

According to the study, the basic assumptions on which traditional welfare programmes were built had begun to "melt away in the social and economic transformations of the past two decades."

Co-operation urged on international crime

By Robert Rice, Legal Correspondent

INTERNATIONAL criminals would no longer enjoy safe havens if the world's prosecuting authorities improved co-operation and assistance, Mrs Barbara Mills QC, head of the UK's Serious Fraud Office said yesterday.

Speaking at an International Bar Association conference in Hong Kong, Mrs Mills said the era has ended when such criminals could cross frontiers with the proceeds of their crimes in the knowledge that authorities would have difficulty pursuing them.

Britain has been accused in the past of not co-operating with other countries and of being slow in handling requests for mutual assistance. This was because British legislation in this area was too limited and dealt only with specific problems relating to extradition and more recently drug trafficking.

Mrs Mills said that has now changed with the introduction in July this year of the Criminal Justice (International Co-operation) Act 1990. The Act would "revolutionise the ability of the UK to render assistance to overseas countries."

It allowed the UK not only to accede to the European mutual assistance treaty but also to make bilateral arrangements with countries which were not signatories to it.

The UK would benefit from this by being able to prosecute serious offences which would otherwise have not got to court because evidence was not available. It would also lead to the speedier and more efficient prosecution of serious offences because of the greater availability of witnesses and evidence from abroad.

Mrs Mills said the Act was the most important piece of legislation passed by Parliament in this area. It demonstrated the UK's commitment to the fight against international crime.

Mills: ready to fight crime

BRITAIN IN BRIEF

Britain pulls out of joint arms project

Britain has told the French and German governments it is withdrawing from a joint project for anti-tank weapons and favours a smaller stake in a new programme.

The decision, which involves formal notice of withdrawal from the existing programme, deals a further blow to the fortunes of British Aerospace, hitting one of the group's main missile projects.

The company, which has several hundred people working on the project, said yesterday it was "looking at the options." Earlier this year it announced 2,200 job cuts in its guided-weapons division, almost a quarter of the workforce.

The Ministry of Defence said Britain had already spent about £75m on the long-range weapon, part of a joint programme called Trigat. The question of penalty payments for breaking the three-nation agreement had still to be negotiated.

AEA reports £40m net loss

The UK Atomic Energy Authority reported a net loss of £40m in its first year as a commercial organisation operating under the name of AEA Technology.

AEA's results for the year ended 31 March 1991, show an operating profit of £17.7m, before restructuring costs of £49.1m and interest charges of £8.6m.

Peugeot to expand plant

Peugeot Talbot, the UK subsidiary of Peugeot the French car maker, is to invest nearly £9m to expand and modernise its UK parts warehousing and distribution operations.

The new facility, which will handle the supply and distribution of all Peugeot, Citroën and Motaquip parts for the whole of the UK, will be operational by mid-1993.

As part of the investment Peugeot will build a new warehouse at Coventry linked to an existing warehouse to provide in total nearly 500,000 square feet of capacity.

Inflation to fall to 3.8%

UK inflation will fall to 3.8 per cent by the end of the year, undercutting the government's forecast by 0.2 percentage points, according to the average of independent forecasts compiled by the Treasury.

According to the September economic forecasts of 25 independent and City institutions, inflation as measured by the retail prices index is set to fall even further than the government has predicted.

Its fall is to be achieved partly at the expense of lost jobs. Unemployment is to rise by 2.59m by the forth quarter.

Talks planned on excise duty

Treasury and excise officials are to hold a series of meetings with representatives of the Scotch whisky, gin and vodka industries to discuss concerns about the harmonisation of excise duties in the the European Community.

The moves follow a meeting yesterday between Mr Norman Lamont, chancellor of the exchequer, and leaders of the spirits industry.

The industry delegation emphasised the threat to the industry's exports of any widening of the tax differential between spirits and wines.

Mr Lamont agreed to a further meeting after the issues have been examined by officials.

Lamont: examining issues

Daiwa submits building plan

Daiwa Securities, the Japanese brokerage house, yesterday applied for planning permission to build a new 340,000 sq ft headquarters building in the City of London.

The building is being developed by Daiwa Europe Property, a subsidiary of Daiwa Securities, with Kajima UK Engineering acting as the client's representative.

Moves against Nadir 'futile'

An attempt by the Inland Revenue and eight banks to jail Mr Asil Nadir, the former Polly Peck chairman, over a secret $27m deal to sell his shareholding in a Turkish bank was described as "futile" by his QC in the High Court.

Mr Nadir, who is facing 18 charges of theft and false accounting involving up to £200m in pending criminal proceedings, was in court to hear Mr Stanley Brodie QC argue that the move to jail him should be struck out without a full hearing because no case had been shown against him.

The creditors have started committal proceedings against Mr Nadir on the basis of alleged breaches of a High Court undertaking not to dispose of his assets pending the hearing of a bankruptcy petition launched last October.

Lloyd's hearing

A Canadian court is to complete preliminary hearings in a case involving allegations of fraud and misrepresentation at Lloyd's of London, the insurance market.

Seventy Canadian Names, the individuals whose capital supports underwriting at Lloyd's, are involved in the action. The Names, all of whom are professionals living in Ontario, were members of syndicates managed by Feltrim and Gooda Walker agencies.

Feltrim syndicate 540 and Gooda & Partners 298, produced some of the worst results at Lloyd's in 1988.

MANAGEMENT

Taste of Apple at IBM

Louise Kehoe on the impact of today's collaboration announcement

John Sculley (left) and Jack Kuehler: announcing extensive technology-sharing and joint development plans

Two years ago, all eyes were on San Francisco when the city was rocked by a violent earthquake. This week, the attention of computer executives around the world will be riveted here on an event that could shake the underpinnings of the $90bn (£51bn) a year personal computer industry.

International Business Machines and Apple Computer, the two largest producers of personal computers in the world, will today unveil details of extensive technology-sharing and joint development agreements that will shape the future product directions of both companies and potentially the whole industry.

Together, IBM and Apple aim to create new "foundation technologies" for the personal computer market of the 1990s and beyond. Their immediate goal, however, is to expand both companies' shares of the personal computer markets by jointly developing products that combine the appeal of Apple's Macintosh personal computers with the power of IBM RS6000 workstations.

The impact on many of IBM and Apple's competitors could be significant. Those that have slavishly followed IBM's lead, building "clones", are particularly vulnerable. Much will depend, however, on the ability of IBM and Apple – two very different companies – to work together. So far the companies claim that differences of style have been no impediment to progress in the planning stages of this extensive collaborative agreement.

Significantly, however, two joint venture companies to be formed as part of the new IBM-Apple relationship will be based in California where they will no doubt attract some of the free spirits among IBM's technologists, while making Apple's employees assigned to the joint venture feel very much at home.

The first test of the Apple-IBM relationship will be a rushed job. By the end of this year, the companies aim to develop computer programs that enhance links between Apple's Macintosh computers and IBM's corporate computing systems.

According to IBM, customers will be able to mix and match IBM personal computers and workstations with Apple's Macintosh on computer networks.

The bigger beneficiary of this development will be Apple, presided over by chairman John Sculley, which aims to expand its sales to corporate users. The collaboration will come as no surprise to competitors.

IBM and Apple do, however, have some shocks in store. The biggest may be IBM and Apple's new determination to "drive open systems", as Jack Kuehler, IBM president, says.

All of the technology that Apple and IBM develop together will become available to other manufacturers, through technology licensing arrangements, the companies say.

Apple and IBM will encourage competitors to produce "compatible" personal computers, to establish their new designs as an industry standard.

Over the next two to three years, IBM and Apple will develop a common version of Unix, the AT&T computer operating system that forms the basis of open systems. It will be based on AIX, the IBM version of Unix, stripped of functions that are irrelevant to personal computer users.

The new Apple-IBM flavour of Unix will be compliant with that offered by the Open Systems Foundation, one of two rival "standard" versions of Unix currently available.

Simultaneously, Apple Computer will convert its latest Macintosh software, called System 7, to run on computers built around IBM's Risc (Reduced Instruction Set Computing) microprocessor.

This is an essential element of Apple's plan to base future versions of Macintosh on the IBM chip, but will also bring the familiar "ease of use" features of the Macintosh to computers built by IBM and potentially by other computer manufacturers.

The Apple-IBM alliance signals a significant strategy shift by both companies towards open systems. IBM, in particular, will move from following the open systems trend to leading it. This could pose problems for many companies such as Hewlett-Packard and Sun Microsystems that compete directly with IBM in the workstation market and lead the open systems market.

Until now, IBM and Apple's proprietary systems have proved an easy target for proponents of the open systems movement towards computer standards that enable different types of computers to work together and share software.

The other critical element of the new common IBM-Apple "platform" is Power PC, a single chip version of the IBM Risc microprocessor, that will form the brains of this new class of computers.

Apple and IBM aim to establish the basis of a new generation of personal computers through the combination of IBM's microprocessor, a common version of Unix and the Apple Macintosh software.

What prompted IBM to explore the possibility of a partnership with Apple was the computer giant's desire to capitalise on the success of its workstation microprocessor technology, Kuehler explains.

Apple, meanwhile, which had made the initial approach to IBM last year, was seeking ways to leverage its software technology into broader markets.

Apple was also struggling over the decision of which high-performance Risc microprocessor to use for its next line of products.

Motorola, the largest US semiconductor manufacturer and Apple's microprocessor supplier since the company's formation 13 years ago, appeared to be in danger of losing one of its best customers. Through the IBM-Apple alliance, however, Motorola has not only retained Apple's business but also potentially won a leading role in the next generation of personal computers.

In an agreement between IBM and Motorola, fashioned to satisfy Apple's need for an independent source of microprocessor chips, IBM has licensed Motorola to use its semiconductor technology to build new versions of the Risc chip.

In addition, Motorola will gain access to IBM's semiconductor production processes and can sell the chips on the open market.

"We will become the primary silicon engine supplier to the personal computer industry," boasts Jim Norling, president of Motorola's semiconductor group.

This is an audacious claim for Motorola, which to date has been shut out of most of the personal computer market by the dominance of Intel, which today supplies microprocessors to nearly all IBM-compatible personal computer makers.

Motorola's ambition demonstrates, however, the far-reaching impact that the IBM-Apple plans could have on the computer industry, if they are successful. For the dozens of companies that have followed IBM's lead in the personal computer market, creating "IBM-compatible" PCs or "clones", IBM and Apple's plans are particularly threatening.

The role of Microsoft, the world's largest computer software company, which provides the operating system software for IBM's current personal computer products, is also challenged by IBM's new personal computer strategy.

IBM and Apple have formed a joint venture company to work together on development of a brand new computer operating system, using "object-oriented" software. This is an emerging approach to software development that greatly simplifies the task of writing new applications programs for all types of computers.

This effort will create an operating system that will be capable of running all currently available personal computer applications programs including those designed to run on Microsoft's popular DOS system, those for the Macintosh as well as programs designed to run on the Unix operating system.

It will, however, be five or six years before the task is complete, IBM and Apple acknowledge. In the meantime, Microsoft is expected to launch its own "New Technology" operating system, which also takes advantage of object-oriented technology and runs programs that were designed for DOS and its derivatives.

A second joint venture between Apple and IBM will focus on the development of industry standards for "multimedia" – the simultaneous processing of video, graphics, voice and text.

This long-term project, also expected to take five or six years, will compete directly with Microsoft, which is attempting to establish its own set of multimedia standards. Through these efforts IBM aims to preserve its role as the "standards setter" in the personal computer industry.

Many in the industry see the IBM-Apple alliance as a defensive move. Kuehler says, however, that IBM's plans to expand the role of its RS6000 chips were formulated before the Ace Consortium, led by Compaq Computer, Microsoft and Digital Equipment, got under way last year.

Competitors remain sceptical. "Lots of rumble and not much damage reported," is the way one industry official summed up the impact of the IBM-Apple agreement.

Coming to terms with a disaster

Andrew Jack reports on the administration of appeal funds

A jubilant crowd gathered one Saturday at Bradford City Football Club. The fans were watching their team play a friendly match to celebrate its promotion to the second division.

Within minutes of half-time, they were sprinting in panic on to the pitch and throwing themselves against locked exit doors as flames engulfed the stadium. Fifty-six people died and more than 300 were injured in the fire, leaving the city with a permanent psychological scar.

More than six years later, it might seem macabre to dwell on the details of how the subsequent public appeal was established, and how the suffering of individual victims was weighed to determine how the money would be distributed. But a new book* provides valuable lessons into the management of disaster appeals.

After incidents like Bradford, public attention tends to focus on who or what was responsible. Inquiries make recommendations to prevent recurrences. But little attention goes to the question of administering the money offered by a sympathetic public.

Yet experience shows that if a mechanism to attract funding does not emerge within a few days, much of the momentum and public interest wanes fast. If a particular legal structure is chosen too hastily, the ways the money can be spent may be severely restricted.

At the same time, the trustees of any fund take on vast responsibilities. The money entrusted to them may total several million pounds and put them under close scrutiny. As W C Fields said of Andrew Carnegie, the US philanthropist, his distribution of money was "as quiet and unobtrusive as a fully laden waiter falling down a flight of stairs".

Roger Suddards, the main author of "Administration of Appeal Funds", and the solicitor who was chairman of the trustees of the Bradford Disaster Appeal, provides a detailed account of the Bradford appeal, down to copies of detailed internal memos and forms.

The trustees decided that the money would be distributed rapidly, confidentially and according to how badly people had been injured. The trustees themselves did not meet any of the victims.

Four retired people collected basic information from the victims. Compensation was assessed using a points system compiled by a medical burns specialist, a psychiatrist and an insurance claims inspector. A trust fund manager and several assistants helped administer the money.

They learnt how to use the media, appealing first for advice from administrators of previous appeals, and then holding regular briefings to keep the public informed, giving clear explanations for each action taken.

The first edition of Suddards' book appeared in 1987. It has now been substantially expanded to include new guidelines on tax and social security, and draft legal documents. It also contains contributions, albeit brief, from appeal trustees, which generally echo the lessons from Bradford.

One thing that has not changed is charity law. For an appeal to become a charity, and gain tax relief, it can only make payments which relieve poverty to those in genuine need. The Bradford trustees – in a move widely followed since – decided they wanted more flexibility, and became a discretionary trust instead.

The book diplomatically steers clear of calling for charity reform. Nevertheless, readers can judge for themselves when they see that the humanitarian appeal in Bradford, which raised £4.8m, had to pay nearly £93,000 in tax.

Elsewhere there are more optimistic signs. The British Red Cross has just launched a Disaster Appeal Scheme information pack for local authorities. Under the scheme, banks and post offices will instantly accept donations and Red Cross nominees will manage the fund until the local community has decided the exact shape of the trust.

**Administration of appeal funds. Roger Suddards. Sweet & Maxwell. £16.50.*

BUSINESS AND THE ENVIRONMENT

Computer reveals ocean's secrets

A current carrying warm water around the coast of South Africa from the Indian to the Atlantic Ocean plays a vital role in maintaining the balance of the world's climate, including the mildness of Britain and north-west Europe.

The climatic significance of the Agulhas Current is one of the features uncovered by the Fine Resolution Antarctic Model (Fram), a £10m project operated by the UK Natural Environment Research Council.

Fram – the result of modelling the circulation of the Southern Ocean on a Cray supercomputer – shows that the Agulhas Current carries almost 1bn MW of heat into the South Atlantic.

From there the heat drifts north into the tropics and reinforces the well-known Gulf Stream bringing warm water to the coasts of north-west Europe.

Fram disproved an alternative theory, according to which warm water from the Pacific Ocean flowed past South Africa into the Atlantic. It revealed that very little heat transfer takes place between the Pacific and the other oceans.

Detailed ocean models such as Fram are important for modelling the world's climate and predicting climatic change.

Howard Cattle, head of climate research at the UK Meteorological Office, says that the latest runs of the Met Office supercomputer model – coupling the oceans with the atmospheric circulation – have given a new view of the greenhouse effect.

They show that the deep oceans absorb heat from the atmosphere more effectively than climatologists had realised.

The computer now shows that the effect of doubling the amount of carbon dioxide in the atmosphere would be to produce less warming over the North Atlantic and the Southern Ocean than previous calculations had shown.

Clive Cookson

Hilary de Boerr looks at whether Britain's wind farms can become a significant source of energy

Electricity in a spin

When a new community windmill goes up in Denmark, it is a cause for celebration. Local carpenters and electricians help with the windmill's installation. The local farmer allocates a field for the site and the whole village then receives its power from the windmill. The festivities are re-enacted annually.

In Britain, when wind power takes off, it will be the preserve of large companies like Taylor Woodrow, British Aerospace, Tomen, the Japanese trading house, Seawest, of the US, the world's largest independent wind farm developer, National Power and PowerGen.

Britain currently has just 8MW of wind power generating capacity installed, compared with 320MW in Denmark. California, the world leader in wind power, has 1,500MW of generating capacity.

Britain's wind power industry is about to get a boost, however. In the next couple of weeks, the government will announce an increased target for wind-generated electricity. It is believed that regional electricity companies in England and Wales will be told to contract out between 58MW and 116MW of new generating capacity to wind farm developers.

Wind farm developers have, meanwhile, submitted to them more than 40 competing proposals for wind farms generating at least twice that capacity. The contracts will be awarded within days of the government announcement.

Britain is one of the windiest countries in the world – some experts say at least a fifth of its electricity could be generated by wind. Yet the government's target for 2000 is to obtain just 2 per cent of the country's electricity requirements from all renewable energy sources, including wind, wave, hydro, geo-thermal and landfill gases.

Wind power enthusiasts say this is not enough. Denmark's target for the end of the decade is to produce 10 per cent of its electricity from wind alone. Holland's goal is 1,000MW of installed capacity by then. Germany, Spain, India and Egypt all have more ambitious wind-energy targets than the UK, according to Greenpeace, the environmental group.

Wind power appeared on the political agenda in Britain only three and a half years ago. The industry is at the behest of the government's Non Fossil Fuel Obligation, which requires the regional electricity companies to secure access to a specified amount of renewable energy. The first Renewables Order under the NFFO was made in September last year, requiring an installed capacity of 30MW for wind power.

The NFFO promises a market and a premium price for renewable energy until 1998, based on the lowest prices in the wind farm tenders.

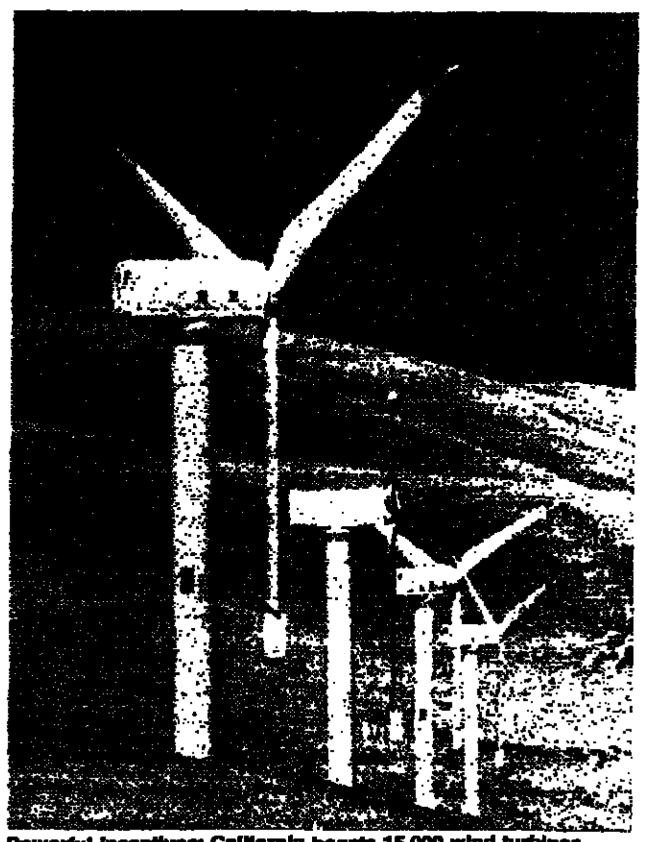
Critics are unhappy with many parts of the renewables policy, attacking its short-term nature and limited application.

They complain that the premium price guarantee runs for too short a period, forcing them to recoup their capital investment over an unnaturally concentrated period rather than the projected 15- to 20-year life span of the wind farm. The contracts awarded this month will be valid from 1993 and be guaranteed for five years.

Renewable energy, like nuclear power, requires subsidies in its early years to make it economically viable for developers. The government's annual price subsidy for renewables is just 40p per household compared with £17 for nuclear power.

Another problem for potential developers is that only England and Wales are covered by the premium price guarantee and the obligation on electricity companies to take renewable energy. The best source of Britain's wind power is in Scotland but both it and Northern Ireland are excluded from government legislation. (The main wind farm developers are nevertheless already searching for suitable sites in Scotland, in expectation that government policy will at some stage be extended.)

There is also the absence of a coherent set of planning guidelines for wind farms in the UK. Conservationists are increasingly unhappy about the possibility of wind turbines marring the natural beauty of the countryside and are stepping up objections to planning applications.



Powerful incentives: California boasts 15,000 wind turbines

Developers say they, too, welcome planning guidelines; planning inquiries have delayed most of the projects awarded last year. "If every wind farm had to have a public inquiry, it would kill the business," said Peter Chester, chairman of the National Wind Energy Group, Britain's largest wind energy developer comprising National Power, BAe and Taylor Woodrow. Government guidelines are expected by the end of the year.

If Britain is committed to renewable sources of energy, it could learn much from California. The state has generated part of its electricity supply from wind power since 1981, producing 79 per cent of last year's total worldwide wind energy generation of 3.2bn kWh. More than 15,000 wind turbines together satisfy 1 per cent of the state's energy demand.

The energy source is so well established that wind is not only one of the least costly sources of renewable energy, it is almost as cheap to produce as coal and nuclear power. The California Energy Commission said a new wind plant can generate electricity at a cost of 4.7-7.2 cents/kWh, compared with about 6-7 cents/kWh for a new natural gas plant and 4.9-7.25 cents/kWh from existing conventional power plants. In the early days wind power cost about 50 cents/kWh.

California's success is a product of the state's commitment to the industry, involving long-term contracts for wind farm developers and generous tax incentives for investors. Utilities were required to offer wind farm developers 30-year contracts guaranteeing especially high prices for their electricity in the first 10 years, when capital cost repayments would be highest.

Tax credits, both federal and state, did create "white elephants", with some wind turbines lying dormant as the dentists and doctors investing in them accrued tax advantages. But fears that the removal of tax credits in 1985 might jeopardise the industry's growth proved unfounded. More than half of California's wind-generating capacity has been installed since then.

Denmark, the world's second largest producer, also owes its wind power successes to a government commitment to support the industry, both politically and financially.

Utilities were forced by the government to develop large wind farms while local communities were encouraged to buy their own windmills to satisfy local electricity needs. Danish wind power now costs about one-third its original price.

The benefits of wind power are proven. It is environmentally sound, with a single wind-turbine able to save emissions of more than 1,000 tonnes of carbon dioxide every year. The fuel is free – if not always reliable in the short-term. The technology in wind turbines is advanced, with reduced noise levels and improved efficiency. And prices for wind power can, over time, compete on the open market.

Greenpeace wants a UK government commitment to produce 10 per cent of the nation's electricity from wind power by the end of the century. Friends of the Earth is calling for the upcoming Renewables Order to include 165MW worth of wind projects, which the group calculates will increase average household electricity bills by less than 1p a week.

What UK wind farm developers desperately need is a long-term government commitment to support their projects. Per Krogsgaard, a partner at BTM Consult, the Danish wind power consultancy, said contracts should be guaranteed for at least 20 years. "You have to make it economically viable for the man who takes the risk, and give some premium for producing clean energy."

Soft touch from Chile's vicuñas

By Leslie Crawford

Beyond the Andes, in the breathtaking heights of the Chilean Altiplano, Aymara indians talk of weaving a cloth as fine as silk and almost worth its weight in gold.

They are not dreaming. The cloth will be made from the delicate fleece of the vicuña, wild cousins to the domesticated alpacas and llamas. The expertise is being provided by Conaf, Chile's forestry commission.

Just 20 years ago, the shy, honey-coloured vicuñas faced extinction. Hunters killed them for their coveted fleece – the finest natural fibre after silk. The wool was smuggled to clandestine textile mills in Singapore and Hong Kong, where the cloth fetched up to $1,500 per square metre.

By 1970, the species had been wiped out in Peru and Ecuador, while only 600 survived in Chile. That year, Conaf created the Lauca National Park in northern Chile with the aim of protecting the vicuñas' natural habitat and increasing their numbers.

Today, 28,000 vicuñas roam freely in a spectacular plateau 4,500 metres above sea level, punctuated by snow-peaked volcanoes and ice-blue lakes teeming with flamingoes and ducks. The World Wildlife Fund, which contributed substantial funds to Conaf's conservation efforts, removed the vicuña from its endangered species list three years ago.

Just as the cuddly animals began to thrive, northern Chile's Aymara community started to disintegrate. Many were persuaded to sell their best alpacas to New Zealand and Israeli breeders. More than 3,000 animals have been legally exported since the mid-1980s. Without their herds, hundreds of Aymaras migrated to the ports of Arica and Iquique in search of jobs.

More recently, the Aymaras have fallen into the clutches of armed clans of Bolivian drug dealers. For a few dollars, the Aymaras will smuggle cocaine and crack across the Altiplano and the Atacama desert to Chile's northern ports.

"Unless we can provide the Aymaras with a decent livelihood they will sink further into poverty and crime," says Eduardo Nuñez, one of Conaf's regional managers.

That is how the vicuña project was born. If the vicuñas' wool could be woven into cloth on a commercial scale, the Aymaras would have a guaranteed income far in excess of peddling drugs or farming alpacas.

Although vicuñas have never been domesticated, Nuñez launched a project last year to test whether the animals could be safely trapped and sheared in the wild. Last summer, mobile fences were stacked in the marshlands of the Altiplano and Conaf as park wardens on motorcycles rounded up the vicuña herds into the makeshift corrals.

Using large shearing scissors, the wardens were careful to leave enough fleece on the vicuñas to protect them from freezing night temperatures. Each animal yields about 250 grams of a wool, which is softer than cashmere. About one kilo is needed to make a square metre of cloth.

Soon, he believes, the Aymaras will be weaving the most luxurious cloth in the world, with a guaranteed renewable resource.

ARTS

TELEVISION

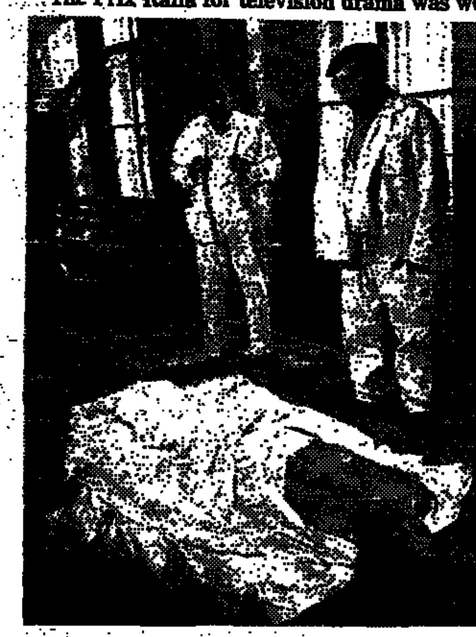
What dazzles the eye may baffle the brain

Christopher Dunkley reflects on the Prix Italia

Let us get the chauvinism out of the way first. The final tally of television prizes at this year's Prix Italia broadcasting festival in Pesaro was: Britain five, rest of the world three. Since 30 countries competed, ranging from the US and the USSR to Finland and the Ivory Coast, this was an outstanding achievement. It could not, however, be called extraordinary since the British have a long tradition of carrying off more prizes than anybody else from broadcasting festivals in general, and in particular from the Prix Italia, the oldest of the lot, with the most highly regarded awards.

However, the three television prizes they failed to win were some of the most important. The Prix Italia for documentaries went, rightly in my view, to the Yugoslavs for a classic 25-minute programme called *Halda* which tells, without the need for any didactic voice-over, how some of the inhabitants of Zenica scrape a living out of the spoil from the local metal mines. Against a hellish background of sulphurous smoke they leap aboard the lorries as they hurtle towards the town dump (or "halda") in order to have first go at the pickings. The special prize in this category went, bafflingly, to *La Cicatrice*, the gist of which was: "Here's a poor woman who merely bought a rifle and shot her husband dead, and now this awful world of men has put her in gaol. Shame".

The Prix Italia for television drama was won,



'The Closed Pavilion' from Czechoslovakia: one of the very few programmes reflecting recent history

wrongly in my view, by the French with a work called *Les Ritals* which, it seems, translates as "The Wops", this being an account of the difficulties of Italian immigrants in France in the 1930s. Judging from their festival entries, French television dramatists must limit themselves almost exclusively to gooey stories about childhood. Like so many of its predecessors, this one was sentimental to the point of dishonesty. Having been a 10 year old boy myself, I can tell you that such creatures do not engage in formal war games, fought on glorious heathland, in eternal sunshine, observing gentlemanly rules of conduct: they fight dirty, just like their elders, often behind the bike sheds, frequently in the rain. The entry which should have won, the BBC's superb *Oranges Are Not The Only Fruit* was actually awarded the "special" prize. True, both prizes are worth 15m lire, more than £7,000, but nobody is in any doubt about the status of the "special".

Britain's other successes were the BBC's complex and fascinating account of the life, writing and alcoholism of the late Benedict Yerofeyev, *From Moscow To Pietushki*, which won the Prix Italia for television arts programmes; Channel 4's *TV Dante* an adaptation of "The Inferno" which is crammed to overflowing with technical wizardry; and the titles and credit sequences from *The South Bank Show* and from a disparate collection of Channel 4 series, which won the Prix Italia and the special prize respectively in this year's oddball category.

With a history going back to 1948, when the first prizes were awarded for drama, documentary, and music, solely in radio, of course, it does seem a pity that the title "Prix Italia" is now being attached to an award for titles. All festivals like to experiment and expand, but if the prestige of the three original categories is to be maintained, it would seem a good idea to choose some other name for the prizes in whatever odds and ends of categories – ecology, title sequences, best bacon butty served by a location caterer – may be added from time to time. Any name other than Prix Italia will do.

Britain's radio broadcasters were less successful than their television colleagues. Out of eight prizes they were awarded just one, though some saw this as a particularly gratifying one. The winner of the Prix Italia for the best radio music programme was *Who Pays The Piper?* from the BBC. The interesting and perhaps significant point was that instead of being some esoteric piece of polyphony from Radio 3 of the sort which might be expected to appeal to the popular idea of an egg-headed Prix Italia jury, it was a half-hour history of music, told in verse by Richard Stilgoe, in a style reminiscent of *1066 And All That* and the Footlights Revue with lots of good musical gags. The jury reeled out of their room holding their sides, a rare sight at this festival.

And apart from the spreading throughout the world's broadcasting organisations of a post feminist belief in the innocence, purity, and sheer saintliness of women, and the concomitant vileness of men, which was described in last week's column, what did this annual exhibition of (supposedly) the world's top programmes reveal to us?

First that the makers of drama, documentary and arts programmes take a long time to start reflecting events even when they are as cataclysmic as those in eastern Europe during the last two years. There was one documentary from the Swedes called *14 Days That Shook Riga*, and a chilling drama called *The Closed Pavilion* from Czechoslovakia. This told of the secret police and the misuse of mental hospitals and presumably could not possibly have been made by the Czechs until very recently.

But out of 73 television programmes in the competition these were the only ones to dwell upon the subject: perhaps this reflects mainly upon the absence of a news and current affairs category at this festival. Maybe we shall be inundated with dramas and documentaries on the subject next year.

Second, that more and more broadcasters in more and more countries are becoming interested in the difficulties, indeed the agonies, of the immigrant experience. This was the theme not only of the drama winner from France, but also of *Anka*, a Yugoslav costume drama concerned with German in-comers; of *Sidonie* from Austria which told the sad tale of a fostered gypsy child who looked black in Austria in the 1930s (in television drama the past seems as popular elsewhere as it is in Britain); and of *The Home Country*, a slightly soapy account of modern day Asian immigrants in Norway.

Attending festivals of this sort, it becomes pretty clear that broadcasters from different countries watch one another's material and take leaves from one another's books. A single documentary about transexuals at one Prix Italia must have sent many producers home thinking "Hmm, we surely have people like that in our country" because the following year brought a minor flood of transexual programmes.

On the subject of immigrants producers doubtless needed little prompting since the phenomenon is growing so fast in so many places as population expansion and mobility increase. However, I do suspect that there have been several programmes shown this year which may result in something of a copycat plague next year, and they all came from Britain.

What they share is a frantically busy surface technique which dazzles the eye and, all too often I suspect, baffles the brain. Understandably enough one of the most extreme, ITV's *Top Guns And Toxic Whales*, another of those finger wagging sermons on the environment, failed to win an award, but the other examples – *TV Dante* and the titles from *The South Bank Show* – did get prizes.

Virtuoso technique of the sort that they use, involving split screens, multiple imaging, fast cutting, and all the modern trickery which allows you to flip the picture in any direction and inlay one picture within another, all has its place. It seems ideal for a title sequence rapidly symbolising the content of the forthcoming programme, for instance.

But surely the only people who want it for itself are television producers, and even they like it mainly because it says "Hey, look, I've got this expensive bit of gadgetry". Yet the hi-tech "look" will, I fear, soon become de rigueur. Not a programme will be allowed to pass without its inlays and backflips. For next year's Prix Italia we shall need our dark glasses and cold compresses.

René Kollo and Gwyneth Jones

Siegfried

COVENT GARDEN

The third part of *The Ring* maps out a steady – and, on the right night, incomparably thrilling – progression from low to high, physical, psychological and spiritual. The troughs and peaks of Monday's performance were created more by the failures of the Götz Friedrich production, and by the varying abilities of the cast to counteract them, than by the unfolding drama.

Even the most Carmelite of critic's vows to preserve silence on the limitations of the time-tunnel set would have to be broken when the second act of this particular *Ring* instalment was reached. The artistic disparity between the richness and variety of musical scene- and character-elucidation and the lethal, light-banishing confines of the set is too great to be bridged even by a Wagnerian of Bernard Haitink's stature.

Haitink's conducting of *Siegfried* proves yet more responsive to the distinct character and colour of each component part than last October, when he tackled the work for the first time – and the orchestra, albeit on slightly erratic form (with rackety, rhythmically imprecise brass at the start of Act 3 a notable flaw), seconds his dramatic conviction with committed eloquence. The whole opera holds together more certainly than it did last year; the feeling of unity within diversity is a key to the musical success of any *Siegfried*, and Haitink promotes it with absolutely confident command of all three long acts.

Yet all his efforts could not unarguably prevail, nor prevent Act 2, with its net curtains, earth-mover giant and woodbird on wires (shrilly sung and horribly miked), from notching the low point of the entire cycle. It is, therefore, uphill work for the cast, whose uneven qualities would surely be better disguised in a less comprehensively unhelpful staging. John Dobson, for instance, who sings Mime in both cycles (replacing in the first the ailing Alexander Oliver), is a veteran character tenor of considerable artistry and experience; but the neurotic-rabbit characterisation here wished on him, a prolonged bout of fidgets interspersed with whimsical dashes for cover, results in an unfortunate emphasis on the lack of substance in the tone, the amount of reliance on "management" in the singing.

This is one of the least epic Mimes I have encountered. Likewise, René Kollo is a now-mature tenor of enormous charm and skill entirely unsuited to the L'il Abner get-up of Friedrich's Siegfried. He steers his way through the demands of the vocal line as intelligently as ever: there is no ring in the upper register, and long-held notes are apt to judder, but once maturity began to come into view Mr Kollo digs much deeper into the character, and on Monday the final duet – with Haitink in tenderly watchful form, and Gwyneth Jones in more controlled, more raptly unforced voice than anyone could have predicted from her *Walküre* Brünnhilde – brought the evening to a walking-on-air conclusion all the more wonderful for being so unlikely.

It is, however, the male lower voices who come closest to the ideal of sustained singing on an heroic scale. The Wanderer of James Morris, though his contribution to the drama of the riddles is superficial, unleashes in Act 3 a splendid Wagnerian torrent, grandly noble in sound and shapely in style; the Alberich of Ekkehard Wlaschiha focuses both word and tone with superb vividness; the bass of the new Fafner, Franz-Josef Selig, is deep, dark, powerful. Anne Gjevang's Erda maintains a beautiful smoothness in low phrases which it loses as the tessitura rises.

Measured by current standards of Wagner singing, this is in truth a not-half-bad cast. In any case, could even the most illustrious assembly of *Ring* Golden-Agers have survived the depredations of a time-tunnel *Siegfried* any more effectively?

Max Loppert

Docklands Jazz Festival

DESIGN MUSEUM, BUTLER'S WHARF

Courtney Pine and Co among the warehouses and wharves of Docklands seems a peculiarly 1980s concept today. Not so much a festival as three concerts in one weekend, the Docklands event did provide a good opportunity to listen to the city's most precocious jazz talent at one go, however. Most of them – Courtney Pine, Jason Rebello and Julian Joseph – have new recordings to promote. Sadly, the museum was not designed with music in mind.

Young pianist Jason Rebello kicked off on Friday night with a fusion set dulled by the acoustics of the design museum's upstairs gallery. Tony Remy, who has his own outfit, Lateral Thinking, managed to cut through the muddied bass-and-drum with some howling notes from electric guitar, but mostly Rebello's band, which also includes saxophone, bass and clomping drums, fought a losing battle with an unforgiving hall and not sharp enough writing.

On CD, it could be that the material lives up to its title (his album, *A Clearer View*, has been well enough received), but Rebello's murky offering of fusion did little to enlighten the uninitiated. Towards the close of the set the personable young man shifted from the electric piano to the old-fashioned ivories for a more considered solo spot, accompanied only by drum machine. A gentle excursion on which Rebello could actually be heard to be a sensitive player, I missed the point of dispensing with drummer Jeremy Stace for a beat box.

Compared with Rebello, saxophonist Courtney Pine, at 27, is a seasoned performer who becomes more Mr Entertainment each time I hear him. Accompanied this time by his old partner pianist Julian Joseph and his quartet, he was relaxed and raring to shoot the breeze. Starting out with a soprano which bristled with onboard mikes for "Starlight", he battered the pads and stretched out on the notes to get comfortable. Pausing to joke about the acoustic difficulties he then rolled into a percussive stop-time blues, Berklee-tight Joseph rattling away behind him and swept away any sound problems with the sheer strength of his playing.

Pine has a new album called *Within the Realms of our Dreams* which has him interpreting compositions from big name Americans. This bodes well, for with strong material, Pine is unstoppable. Here he dug into Wayne Shorter's "Nefertiti" with a typically tough tenor style of flowing improvisation halted intermittently by fog horn honking.

Even with the ballad "In Pursuance", a dramatic and noisome number, the tenor was still deliciously wayward. It hasn't been easy for Pine to shake off the "Coltrane-inheritor" tag, but he is his own man and at his most individual when dropping large chunks of atonal wailing into contrastingly lyrical passages.

Hearing him in the company of Julian Joseph, another young man matured early, is a double treat. Joseph, who has an album entitled *The Language of Truth*, is an unexcitable and controlled player who moves a good band along beautifully and economically. But he can mix it too, and sparkles in conversation with regular drummer Mark Mondesir.

These young men may have been painted as designer jazz musicians for the 1980s, but in the '90s they begin to look a more substantial proposition. Closing with "Zaire" from his new album, Pine seemed positively prophetic.

Garry Booth

Waiting for Godot

QUEEN'S THEATRE

There was a lot to be said for *Waiting for Godot* when it first appeared in the 1950s; there is even more to be said for it now. Samuel Beckett's play has grown with time, but it has grown in a strange sort of way: funnier rather than deeper.

Discard all the old analysis about who or what is Godot and the divine implications. The characters in Les Blair's production at the Queen's are not waiting for Godot at all. Indeed it is a kind of repeated in-joke that they do not really believe they are waiting for anyone. Certainly they do not expect anyone to turn up. They forget about Godot just as they sometimes threaten to forget their lines or the thread of the argument. They stick around, however, more in a spirit of optimism than pessimism.

This is a play about a play: about how to keep actors and audience engaged and amused. The approach works brilliantly. Not a word, not a nuance, is missed. Vladimir and Estragon are the two tramps, the one whose breath smells, the other whose feet smell. Vladimir, played by Rik Mayall, is the cleverer of the pair. Estragon (Adrian Edmondson) is the foil, the dumb companion who, for example, pulls his trousers down when told to pull them up and who invariably gets the wrong end of any stick around.

Where Mayall and Edmondson score further is in frequently detaching themselves from the pretentiousness that has often been seen in the play. Several times they seem to be talking to each other about how the theatre works. Sometimes they come out and address the audience directly. *Waiting for Godot* becomes not a play about the nature of the universe or the destiny of man, but the willing suspension of disbelief. The famous line "Nobody comes, nobody goes, it's awful" no longer comes across as an attempt at a profound statement, and absolutely not of cosmic despair.

The basically comic treatment helps in another way. There is no reason to try to read anything especially significant into the characters of Pozzo and Lucky. They appear because they appear. Pozzo played by Philip Jackson looks like a jolly Irish farmer. Lucky, who performs the role of Pozzo's mule, is dressed like a Jesuit priest. Christopher Ryan, who plays him, has some of the best lines of the lot. "Feckham, Peckham, Fulham, Clapham . . . Popov and Belcher, Samuel Johnson, tennis, golf, Steinweg and Peterman . . ." and heaven knows what.

If the play has a message other than being a thoroughly enjoyable intellectual romp, that speech gives it as *cogito ergo sum*, of which the rough Beckettian translation is "I think, therefore I am." Some of the language has been sharpened since the days of the censor. The line "people are bloody ignorant apes" has reverted to "people are cunts". There is more bawdy – and a touch of sexual starvation – than there used to be.

Malcolm Rutherford

Rik Mayall

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly conducts the Royal Concertgebouw Orchestra in Mahler's First Symphony and Beethoven's Fourth Piano Concerto, with Stephen Bishop-Kovacevich. Repeated tomorrow and Fri. Sat at 14.00: Henry Lewis conducts the Netherlands Radio Symphony Orchestra in a concert performance of Hindemith's Mathis der Maler, with a cast led by Richard Versalle, Mechthild Gessendorf, James O'Neal and David Pittman-Jennings. Sat, Sun and Mon: Hartmut Haenchen conducts Mozart and Mahler (6718 345)

■ BERLIN

Deutsche Oper 19.00 Heinrich Hollreiser conducts Günter Krämer's new production of Die Zauberflöte, with Eva Johansson as Pamina and Peter Seiffert as Tamino. Tomorrow: La bohème (West Berlin 3410 249)
Philharmonie Kammermusiksaal 20.00 Hans Werner Henze conducts the Berlin Philharmonic Orchestra in music by Haydn, Dittersdorf and Henze, also tomorrow, Fri and Sat (West Berlin 2614 383)
Schauspielhaus 20.00 Mathias Breitschaft conducts the Mainz Cathedral Chorus and Orchestra in Beethoven's Mass in C major and Bruckner's Te Deum. Tomorrow: Michael Schønwandt conducts the Berlin Symphony Orchestra (East Berlin 2272 261)
Komische Oper 19.00 Joachim Willert conducts Harry Kupfer's production of Così fan tutte, with Magda Nador as Fiordiligi and Werner Haseleu as Don Alfonso. Tomorrow: Idomeneo (East Berlin 2292 555)

■ BONN

Oper 20.00 Youri Vamos' production of Swan Lake, repeated on Sun and next Wed. The first new opera production of the season is Die Zauberflöte, staged by Jean-Claude Riber and conducted by Dennis Russell Davies, first night Oct 13 (773667)

■ BRUSSELS

Théâtre National 20.15 First night of the 1991-92 season: Strindberg's A Dream Play (1902) directed by Isabelle Pousseur. Daily till Oct 12, except Mon (217 0303)
Palais des Beaux Arts 20.00 Maria Joao Pires plays piano sonatas by Beethoven and Mozart. Sun: Pierre Bartholomée conducts the Liège Philharmonic Orchestra in works by Mendelssohn, Mozart and Schumann (507 8200)

■ COLOGNE

Opernhaus 19.30 James Conlon conducts Willy Decker's new production of Der fliegende Holländer, with a cast led by Robert Hale, Lisbeth Balslev and Josef Protschka, also Sat. Tomorrow: Jochen Ulrich's Tanz-Forum production of Romeo and Juliet. Fri: Don Giovanni. Sun: Lady Macbeth of Mtsensk (221 8400)

■ LEIPZIG

Gewandhaus 20.00 Opening concert of the Gewandhaus Festival: Peter Schreier conducts an all-Mozart programme, including the Champagne aria from Don Giovanni sung by Alan Titus and the First Violin Concerto played by Christian Funke. Tomorrow: Jane Glover conducts the London Mozart Players. Fri: Marek Janowski conducts the Nouvel Orchestre Philharmonique. Sat: Hans Graf conducts the Salzburg Mozarteum Orchestra, with Paul Badura-Skoda piano soloist. The festival runs till Oct 12 (7132 252)
Opernhaus 19.30 Jazz Dance Chicago. Tomorrow and Sat: Ligeti's Le grand macabre, staged by Joachim Herz and conducted by Udo Zimmerman. Fri: Julien Sorel, choreography by Youri Vamos, music by Elgar (7168 273)

■ LONDON

Coliseum 19.30 James Holmes conducts Jonathan Miller's production of The Mikado, with a cast led by Richard Suart, Anne Collins, Bonaventura Bottone and Ian Caddy, repeated on Sat. Tomorrow: Billy Budd. Fri: La bohème (071-836 3161)
Royal Festival Hall 19.30 Esa-Pekka Salonen conducts the Philharmonia Orchestra in Debussy's Iberia and Stravinsky's The Rite of Spring, with Yuri Bashmet soloist in Bartok's Viola Concerto. Tomorrow: Tennstedt conducts Beethoven. Sun: Giulini conducts Verdi's Requiem (071-928 8800)
Barbican 19.45 Jeffrey Tate conducts the English Chamber Orchestra in Mozart's Linz Symphony and Mass in C minor, with Ann Murray, John Mark Ainsley, Matthew Best and the Tallis Chamber Choir. Tomorrow: gala performance of Jesus Christ Superstar (071-638 8891)

■ MILAN

Teatro alla Scala 20.00 Krzysztof Penderecki conducts the Orchestra of La Scala in three of his own works: Anaklasis for orchestra, Viola Concerto with soloist Grigori Zhislin, and extracts from The Black Mask with the soprano Christine Weidinger and mezzo Ildiko Komlosi. Repeated tomorrow and Fri (7200 3744)

■ NEW YORK

Metropolitan Opera 20.00 James Levine conducts Idomeneo with Anthony Rolfe-Johnson in the title role, Cheryl Studer as Elettra and Anne Sofie von Otter as Idamante. Repeated on Sat. Tomorrow: Don Giovanni (362 6000)
New York State Theater 20.00 George Manahan conducts Frank Corsaro's production of Die tote Stadt, with John Absalom as Paul and Stephanie Sundine as Marie, also Sat. Fri: Madama Butterfly (870 5570)

■ PARIS

MUSIC
Opéra Bastille 19.30 Jonathan Darlington conducts Le nozze di Figaro, with Jorma Hynninen as the Count, Françoise Pollet as the Countess and Maria Bayo as Susanna. Tomorrow and Sat: Myung-Whun Chung conducts Idomeneo (4001 1616)
Opéra Comique 19.30 Final performance of Pierre-Jean San Bartolomé's production of Donizetti's La Favorite (4286 8883)
Salle Pleyel 20.30 Louis Langrée conducts the Orchestre de Paris in an all-Mozart programme, with Christian Zacharias soloist in the Piano Concerto No 24, repeated tomorrow (4563 0796)
DANCE
Centre Pompidou 20.30 Stephen Petronio and Michael Clark. Daily till Sun (4774 4219)
Théâtre de la Ville 20.30 Face Nord, new dance work by Mathilde Monnier, Runs till Sat. Next week: Michele Anne de Mey (4274 2277)

■ PRAGUE

This week's programme at the Smetana Theatre includes a Prague Symphony Orchestra concert tonight at 19.30 conducted by Petr Altrichter, with Rossini's Stabat Mater and Mozart's Piano Concerto No 25 played by Ivan Moravec. The Smetana Theatre repertory includes Cosi fan tutte tonight at 19.00, Smetana's The Kiss tomorrow and a new production of Wagner's Rienzi on Fri. The National Theatre has Rusalka on Sun. Pre-booking at Sluna ticket agency, Wenceslas Square 28, and theatre box-offices.

■ STOCKHOLM

Konserthuset 19.30 Mika Eichenholz and Jan-Ake Hillrud conduct the Stockholm Philharmonic Orchestra in a programme of light classical music, repeated tomorrow (244130)
Royal Opera 19.30 Kenneth MacMillan's production of Romeo and Juliet, also Fri. Tomorrow: Johann Gottlieb Naumann's Swedish opera Gustav Vasa (1786), with a cast led by Nicolai Gedda. Sat: concert performance of Mozart's Il re pastore (248240)

■ VIENNA

Staatsoper 19.30 Fabio Luisi conducts La traviata, with Edita Gruberova, Vincenzo La Scola and Renato Bruson. Tomorrow: La Sylphide. Fri: Pinchas Steinberg conducts Salome, with a cast led by Marilyn Zschau and Leonie Rysanek. Sat: Die Zauberflöte. Sun: Abbado conducts the Tarkovsky production of Boris Godunov, with Robert Lloyd in the title role (51444 2960)
Musikverein 19.30 Friedrich Gulda: Mozart no End and the New Paradise Band. Tomorrow, Fri, Sat and Sun: Rafael Frühbeck de Burgos conducts Mozart and Stravinsky (505 8190)

■ ZURICH

Opernhaus 19.30 Nello Santi conducts Tosca, with Mara Zampieri in the title role, Francisco Araiza as Cavaradossi and Alfred Muff as Scarpia. Tomorrow and Sun: Bob Wilson's new production of Lohengrin. Fri: ballets by Bernd Bienert and Pierre Wyss. Sat: Eugene Onegin (262 0909)
Schauspielhaus 20.30 Arthur Schnitzler's play Der Ruf des Lebens (The Call of Life), in a new production by Achim Benning, also tomorrow, Fri and Sun (251 1111)

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0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
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SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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Mr Kinnock's competence

THE prime minister was wise to let it be known that there will be no general election this year. If he had called one early in November, just five weeks from now, the Conservative party might well have found itself in big trouble. This was evident on Sunday, when the decision to postpone the election was taken, since the most recent run of opinion polls puts Labour and the Conservatives on 40 per cent each. It became clearer yesterday, when Mr Neil Kinnock made a speech that showed what a competent campaigner he is.

His address to the annual party conference constituted his last such set-piece opportunity before an election must be held. Dipping into the enormous bran-tub of previously rehearsed Labour policies for the cure of every ill known to man, he lived up to the occasion. As to content, the speech contained no surprises; as to form, it had shape and shrewd selectivity, and even a modicum of populist passion. It read, and sounded, like an oration designed for the start of an election campaign.

Mr Kinnock's overriding theme was that laisser faire is not sufficient, that governments can stimulate industrial growth and invest in both human and physical infrastructure. This was wrapped up in much talk about education and training, scientific advance, inventiveness, tax incentives to invest in plant and machinery, expenditure on modern transport and the like.

Missing phrase

All that was missing was the stirring phrase that won the 1964 election for Labour, Harold Wilson's "white heat of the technological revolution". The Conservative's bone-dry department of industry may be ideologically sound, but it is up against strong competition in the marketplace for votes.

A second wraparound slogan was a set of variations on "we are determined to put Britain into Europe's first division", which both underlines Labour's conversion from anti-EC to pro-EC and puts the party at the modern-sounding end of the debate. This would have severely embarrassed the Conservatives in a November election. In the run-up to the intergovernmental conferences at Maastricht in December Mr Major is obliged to tack and trim if he is to avoid a party split over European political, economic and monetary union.

The social policy sections of Mr Kinnock's address were not unduly over-emphasised. He did not wish to sound like a socialist. The well-known promises to pensioners, mothers and low-paid workers were repeated; the assurances that most people will not have to pay higher taxes were underlined. The natural weapon at the Conservatives' disposal, the observation that taxes on incomes will rise under Labour, was thus deflected – with the addition of a counter-observation, that value added tax is likely to be further increased by the Conservatives.

Gold seam

Beyond that, the Labour leader expended his energies on a merciless onslaught on the Conservatives' efforts to inject some fiscal disciplines into the National Health Service, insisting that their reforms will lead to its privatisation. There is a seam of pure electoral gold in this for Labour, which Mr Kinnock quite understandably mined.

A pitch for the Liberal Democratic vote was contained in the Labour leader's remarks on constitutional reform. He promised a freedom of information act, a reformed House of Lords, devolution in Scotland, and Labour's tailor-made bill of rights. He even hinted at further open-minded debate on electoral reform. Absent a move to proportional representation for elections to the Commons, none of this would diminish the excessive power of the executive that Mr Kinnock hopes to head, but it may tempt some voters.

In short, yesterday's speech should be taken as a warning. The Conservatives have given themselves six to 10 months before an election must be held. They should use the time to develop a strategy which goes beyond derision of the Labour leader, his party, and all it stands for to one of considering seriously how the challenge of Mr Kinnock – that it is time for a change – can be overcome.

The greening of taxation

IF THE threat of global warming is taken even half-seriously there is no alternative to energy taxes. The burning of fossil fuels such as oil and coal contributes a large proportion of the greenhouse gases that are regarded as certain to cause damaging climate change. Carbon dioxide, the most persistent of the gases, takes more than a century to dissipate, so that even if the world were to meet a target of, say, stabilising CO_2 emissions in 2000 at the level reached in 1990, there would be perceptible global warming in the first half of the 21st century. The only certain way of meeting such a target and thus beginning to curb the growth in emissions is by making the use of carbon-based energy more expensive.

This is the economic and scientific logic behind the European Commission's proposal to impose a tax equivalent to $10 a barrel of oil by 2000. Some US scientists would challenge the argument, casting doubt on calculations, accepted by most of the world's scientists, of the effect of greenhouse gases. Others offer alternative alleviations, such as programmes of afforestation part of the purpose of which would be to create earthbound sinks for CO_2.

The correct response to this challenge is to adopt the precautionary approach – the dissenting Americans may be right, but the risks inherent in their being wrong are so great that it is prudent to take measures to curb emissions now. Fiscal disincentives are preferable to bans or regulations, neither of which would be proof against evasion.

Greatest obstacle

What is not so clear-cut is the geo-political logic behind the Commission's proposal. The single greatest obstacle in the way of increasing the price of carbon-based fuels is that few countries or regions want to make the first move. Germany, Holland and Denmark are considering CO_2 taxes, but most members of the Community resist the idea. Their counter-argument is that the Community generates only 13 per cent of the world's CO_2 emissions. Increasing the price of energy within the EC would make its more energy-intensive industries less competitive against the Japanese and the Americans, both of whom are opponents of taxation. The US is proving the most obstinate of them all.

US pressure

An EC lead would, however, be of great value. It would put pressure on the US, which accounts for nearly a quarter of the world's emissions, in advance of next June's earth summit in Rio de Janeiro. For the economic arguments perceived in the US are not all one way. To the extent that general taxation is reduced to offset increases in the costs of energy, the effect could be neutral. The Commission says that its proposals might result in a total loss of EC growth of up to 0.1 per cent over the years 1993-2000.

Much depends upon the degree to which consumers respond to price increases or exhortation by using fuel more efficiently, as the Japanese have done for their own special reasons, and as some US concerns are doing. Smart design could, by some calculations, halve the energy requirements of the industrialised countries.

The British position is ambivalent. The government is adamant that it will not unilaterally tax carbon-based fuels. It is likely to be embarrassed by multilateral proposals if it is re-elected on a manifesto that includes a promise to privatise the coal mines. Under the EC proposals the cost of coal would rise 30.3 per cent by 1995. None of the extra revenue would go towards the industry. Against that its own stated green strategy suggests that if there is a likelihood of an EC agreement Britain would be wrong to veto it.

The government's record in the talks preceding the earth summit is not encouraging. It seems to have abandoned its support for a globally agreed set of targets and moved, instead, towards a "pledge and review" strategy of leaving it to individual countries to offer contributions to an overall reduction programme. This may reflect the reality of the current White House position, but Britain's role should be to support EC efforts to change it. Setting an example would be a first step.

Out of the foundering of the Dutch plan for European political union, a new clarity of purpose has emerged, writes **David Buchan**

EC sails towards safe harbour

EVEN a famous sea-faring nation like the Dutch can come adrift when trying to lead the 11 other European Community states on the long voyage to European political union.

Most of the convoy mutined this week and flatly refused to follow the change of tack proposed by the Dutch presidency's flagship. They demanded a return to the chart set out by the previous captaincy of Luxembourg. Only by that route, they said, could the convoy possibly reach harbour together.

Yet, out of this chaos emerges a new clarity and certainty: this is that the EC will reach some sort of agreement on political union at the Maastricht summit in December, and that it will closely resemble the draft produced by Luxembourg this summer.

That is real progress. For, the 10 co-mutineers – only Belgium backed the Dutch – are now far more committed to trying to do a deal on the basis of the Luxembourg plan than they were when EC leaders nodded that plan through in June as "the basis for further negotiation".

It is not only that time now presses if the Maastricht deadline is to be met. It is also because, in the revolt against the Dutch plan, many of them have sung the merits of the Luxembourg plan louder than they ever intended to do – even, to some extent, cautious Britain.

In the revolt against the Dutch plan, many of the 12 have sung the merits of the Luxembourg plan louder than they intended

Gauging the real state of play on political union is made harder by divisions inside individual EC governments and by some unholy alliances among them. Most at sea, of course, has been the Dutch government. Its prime minister, Mr Ruud Lubbers, has had to cope with a distracting budget crisis; its foreign minister, Mr Hans van den Broek, has been preoccupied by Yugoslavia; and its two political union experts – the minister for EC affairs and the ambassador in Brussels – have been at odds. But German ministers and diplomats have also given conflicting signals on the Dutch and Luxembourg drafts.

The mutineers are composed of two distinct groups. The "substantive" group contains, in Britain, Denmark, and Portugal, genuine opponents of the full-fledged federal approach of the Dutch. The "tactical" group contains countries such as Italy which is second to none in its desire to allow the EC into every area of political activity and in its enthusiasm for the European Parliament, but which sees the Luxembourg text as the only realistic basis for a deal at Maastricht.

This second group can now be guaranteed to rub Britain's nose in the Luxembourg text. Mr Douglas Hurd, the UK foreign secretary, left Brussels on Monday night in no doubt about this. Over the next few weeks he will be chairing a series of Whitehall committees to see what the UK government can accept, and what it cannot, in the run-up to Maastricht.

The end-game has at last begun on the key points still dividing the Twelve:

● Treaty structure. Legal form has always been a battleground for the Community, even where its member states agree on their common goals. In 1985, all agreed on the need to pass more internal market laws by majority vote, but Britain thought a gentleman's agreement would suffice, while others said this had to be enshrined in the Single European Act.

Likewise, all agree today on the need for the Twelve to act increasingly together in international affairs, but Britain wants to hone the existing co-operation between consenting foreign ministries, while others want to bring EC institutions (such as the Commission) and EC rules (such as majority voting) into the making of foreign policy.

Broadly speaking, only one real difference separates the Dutch and Luxembourg political union drafts. The former generally brings external and internal security policies within a single treaty chapter, but prevents the Commission, Parliament and Court of Justice getting their hands on some of it. The latter creates three separate "pillars" of activity for "the European Union" – standard Community business, including economic and monetary union (Emu); foreign/security policy; and police/judicial co-operation. Yet, it does not rule out these pillars sliding together in the future. Thinking short-term about an election and treaty ratification by the House of Commons next year, the UK government prefers the Luxembourg approach. But the real difference is not enormous.

● Foreign policy. Both the Luxembourg and Dutch drafts provide for decisions of principle to be made by unanimity, but implementing decisions to be taken by majority. Germany supports majority voting in this field, and Britain opposes it. Confusingly, each government uses topical Yugoslavia to back its case. Germany blames EC procrastination about sending more observers to Yugoslavia on the impossibility of outvoting cautious Britain, which in turn argues that only the requirement of consensus prevents headstrong Germany from dragging itself and its EC partners into the Balkan quagmire.

● Defence. Both the Luxembourg and Dutch drafts talk of the long-term definition of a common defence policy, which the UK objects to. The Nato summit in November will probably determine the final outcome at Maastricht. At present the UK has a mild preference for – or objects less to – the Luxembourg formula that sub-contracts European defence to Western European Union. Britain may find its hand weakened by President George Bush's dramatic proposal for unilateral cuts in US nuclear weapons, to the extent they confirm America's increasing disengagement from Europe.

● Crime and immigration. Germany has become increasingly exercised about the need to deal with the spread of crime, requests for political asylum and increasing immigration which the abolition of frontier checks withing the Community, and the opening to the East, are giving rise to. Neither the Dutch nor the Luxembourg texts bring internal security into the EC fast enough for Bonn, but both drafts go too far for Britain, Denmark and others.

● The European Parliament. To the Luxembourg plan, which would give MEPs "co-decision", or a voice equal to that of the Council of Ministers in deciding certain types of legislation, the Dutch plan would have added a parliamentary right of rejection. Germany insists on some co-decision, to be expanded in some future constitutional review. France and several smaller states join Britain in disliking any new powers for MEPs, but only the UK has a really neuralgic national legislature on this score.

● Emu. Though negotiated separately and so far pretty successfully, Emu forms part of the same treaty revision as political union. The same backward drift is occuring in the Emu negotiations, but with less happy results for Britain. Yesterday Emu negotiators were discussing a text which abandons the earlier Dutch idea of a generalised let-out clause for all EC states. The UK does not want to have its political reluctance singled out in the treaty, but it may have no choice.

Success at Maastricht will require some impressive trade-offs among the major EC states. But if the lowest common denominator prevails, and particularly if Germany feels it has not got enough on political union for it to agree to surrender the D-mark in Emu, then the result could still be a stand-off.

Where the main players stand

● Germany has consistently maintained that agreement on European monetary union was linked to agreement on European political union. However, given the faster progress towards an Emu deal, there is now some uncertainty in Bonn about how far Chancellor Helmut Kohl will push his demands for Epu.

On paper, the German position is as radical in favour of reinforcing political structures as that of the Netherlands. Bonn favours a unitary structure incorporating foreign policy and internal security in the common Community system, rather than the "three pillar" approach of the Luxembourg text. It wants co-decision-making powers for the European Parliament, including the right to propose as well as veto legislation.

Bonn wants a simultaneous deal on Epu and Emu at Maastricht and is willing to fall back on the Luxembourg text, rather than the Dutch plan, as the most promising way forward.

● France wants Epu because it knows that is the price it must pay to buy German support for Emu. Monetary union is Paris's supreme objective, the only way in which it can get its hands on the D-Mark and challenge Bonn's monetary dominance.

Yet Paris has been careful to avoid being specific on how much it is ready to give away on Epu to satisfy Germany. It can accept some extension of EC competence and a wider use of majority voting in the Council of Ministers, but does not believe in allowing a shift of power to the European Commission. Neither is Paris keen on federalism, anathema to Gaullist thinking, which still colours French foreign policy.

In this sense, France hovers somewhere in the middle between hesitant Britain and eager Germany. Diplomats reckon Paris will keep its final position open until a last-minute compromise with Bonn, around which the rest of the EC will be expected to rally.

● Britain is the one country whose government never wanted Epu or Emu in the first place, and sees little gain from either. For this reason, it is particularly hard for the UK to horse-trade with others.

At the top of the UK's Richter scale of political sensitivity are the proposals to make common foreign policy by majority vote and to aim for a common defence policy. These are followed very closely by the plans to give more law-making power to the Strasbourg parliament, which the House of Commons generally regards as an unworthy competitor. Britain's own proposals to give MEPs greater power to scrutinise EC spending and to take up citizens' grievances against EC institutions, have caused little controversy, or joy, among its partners.

The UK government also strongly opposes the extension of majority voting on social policy issues and labour market regulation. However, there are signs that it will agree to the EC deciding more environmental legislation by majority vote.

● In Italy, the transfer of large areas of sovereign power from the national parliament to enhanced EC political institutions is scarcely an issue. Yet Italy's government still found itself in an awkward position over the Dutch proposals. As a strong supporter of a federal Europe, it sympathised with several of the Dutch ideas. However, Italy felt these ideas could easily be moulded into the existing proposals tabled by Luxembourg and accepted by a majority of the 12 member states.

The Italian government is also unwilling to back any project which threatened to derail an already tight timetable to complete discussions on political union by December. This was made clear yesterday by Mr Gianni de Michelis, the foreign minister.

OBSERVER

Pungent publication

■ "The destiny of nations depends on the manner in which they feed themselves."

Those Napoleonic-sounding words from the 18th century gastronomic sage, Anthelme Brillat-Savarin, form the masthead of France's latest daily newspaper, La Truffe, launched on Monday. The motto aptly explains La Truffe's intention of unearthing the tastier morsels of French news, buried just beneath the cluttered surface of routine life.

La Truffe is the brainchild of Jean Schalit, who prepared the design and launch of The European, and Antoine Griset, a former director of Le Monde. "We are aiming for a well informed public which listens to the news on the radio but does not buy a daily newspaper," says Griset. He reckons that 65 per cent of the first print run of 300,000 was sold. The aim is to settle down to a circulation of 50,000 in the next year, rising through the break-even point of 65,000 by the end of 1993.

The first issue carried details of a television crime series being planned by the defending lawyer for Klaus Barbie, the Gestapo chief who died recently.

However, La Truffe has so far avoided publishing one especially tasty tale. Only days before the launch, La Truffe received a legal summons, following a complaint from the French Myopics' Association about a story (in an trial edition) which alleged misuse of association funds. Like the fungus after which the newspaper is named, the story is staying underground for the moment.

Calm Camdessus

■ Michel Camdessus is not given to emotional displays; he wore just the trace of a smile yesterday, savouring his appointment to a second five year term as managing director of the International Monetary Fund.

A fellow Frenchman once said that Camdessus should have ended his career as head of a small to medium-sized bank. But his affable manner, conciliatory skills and precious humour have catapulted him to be head of the French Treasury, governor of the Bank of France and now, as expected, to a second term at the IMF.

He came to Washington in 1987 with two handicaps: his English was wobbly, and he took office after an unusually public fracas between the European countries – who traditionally nominate the IMF managing director – over who should succeed Jacques de Larosière.

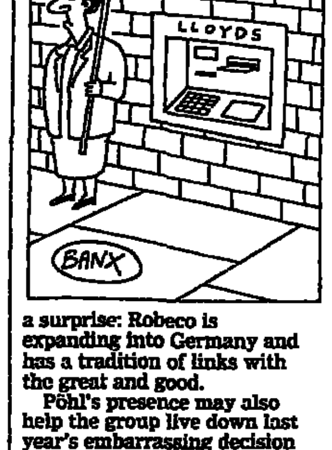
Recently he has fuelled suspicions that beneath the elite civil service image beats the heart of a caring Frenchman, delivering several speeches on the need to reduce global defence spending and curb arms sales.

Insiders say Camdessus has prepared a big speech on defence spending for the annual meeting of the IMF/World Bank in Bangkok. Camdessus may soon have a new nickname: Mr Disarmament.

Pöhl position

■ Karl-Otto Pöhl, the former president of the Bundesbank, is to be busy in retirement. He will be a partner at Sal. Oppenheim, Germany's largest private bank; a director of Bertelsmann, the publisher; and a member of the supervisory board of Robeco, the Rotterdam-based investment group.

The Oppenheim appointment, long-rumoured, was confirmed yesterday. The Robeco job, also announced yesterday, is new but scarcely a surprise: Robeco is expanding into Germany and has a tradition of links with the great and good.



Pöhl's presence may also help the group live down last year's embarrassing decision to stop repurchasing shares in Rodamco, its property investment fund, thus sending the price to a 20 per cent discount to the value of the fund's assets. The Amsterdam stock market was not amused.

Heavenly muse

■ "I Will See You in Heaven – where animals don't bite" is the title of a new book, wherein celebrities and others ponder the nature of heaven.

Father Michael Seed, the book's editor who works as ecumenical adviser to Cardinal Basil Hume, head of the British wing of the Roman Catholic church, obtained many responses and letters, including one from Prime Minister John Major, who writes: "There is much of what I conceive as Heaven in the poem 'The Kingdom of God' by Francis Thompson."

This revelation provides almost infinite scope for psephologists. Some might detect a subtle pre-election warning to the opposition Labour party in the lines

"'Tis ye, 'tis your estranged faces,
That miss the many-splendoured thing."

But theologically speaking, the following entry is rather more of a poser;

Child: Do missionaries go to heaven and cannibals the other place ?
Father: Of course!
Child: But what happens when the missionary is inside the cannibal?

Royalties go to the Franciscan friars of the atonement.

Strategic choice

■ What will François Heisbourg, 42, director of London's International Institute for Strategic Studies, do next?

He is leaving in a year's time at the end of a five-year contract, having turned down an invitation to stay on. His successor will be Bo Huldt, 50, currently director of the Swedish Institute for International Affairs.

Normally effervescent, Heisbourg is keeping his cards close to his chest, saying only that he is "probably" going to Paris.

A product of France's elite Ecole Nationale d'Administration, he can always return to the French Foreign Ministry. But there will be other suitors. His last job before the IISS was as a vice-president of Thomson-CSF, the French state-controlled defence electronics company.

Wrong caller

■ Caller to an Edinburgh mutual insurance company: "Could I speak to Graham Robertson?" Switchboard operator: "You'll have to be more specific; we've got about 17 of them".

The high price of help

Charles Leadbeater argues the case for a GEC-BAe link-up

In the past five years the General Electric Company has acted as a gigantic corporate magnet in the British defence industry, drawing into its embrace most of Plessey and a chunk of Ferranti. Now an even larger object may start to feel GEC's pulling power – British Aerospace.

BAe has experienced an extraordinary run of events in the past week: a bungled rights issue, a profits warning, and the departure, after a boardroom battle, of Sir Roland Smith, the chairman. Yet far from concluding the drama, these scenes may only mark the end of the first act.

For in the defence and aerospace industry, insiders believe the crisis at BAe is deeper than it has so far acknowledged. To escape it may have to link up with GEC, led by Lord Weinstock, the managing director.

GEC will be concerned about BAe's prospects because the aerospace group is one of its largest customers. The aircraft built by BAe house the electronic systems made by Marconi, GEC's main defence subsidiary. If BAe became so enfeebled that it fell into the hands of a foreign aerospace group, with its own electronics suppliers, or simply collapsed because cuts in military spending severely reduced the workload for its military aircraft factories, the consequences for GEC would be far-reaching.

Three concerns about BAe are likely to be uppermost in the minds of GEC executives.

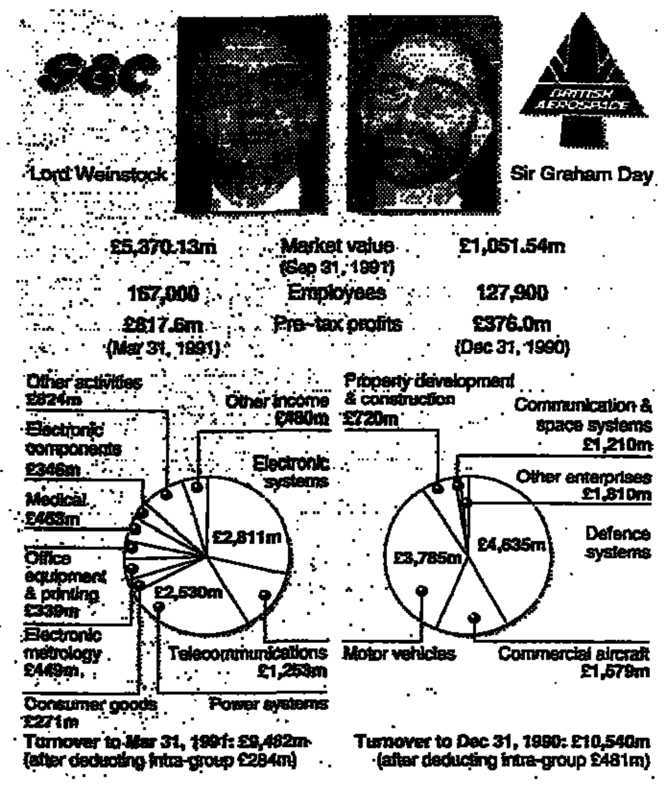
● Finances. BAe's £432m rights issue may well be a flop, but more worrying is the possibility that it may be nowhere near enough to provide BAe with the financial ballast it needs. City analysts and defence industry executives believe it could need another £1bn.

The outcome of negotiations between the UK government and Saudi Arabia over a second stage to the huge Al Yamamah arms programme, which has brought BAe, as prime contractor, huge revenues in the past few years, will be crucial. BAe could avert a financial crunch if it wins significant new Saudi orders.

But US aerospace and defence groups are increasingly confident they will win the lion's share of new orders in the wake of the Gulf war and the US government's more relaxed approach to supplying Saudi Arabia with advanced military technology.

If the Saudi orders are not forthcoming, BAe will need a far deeper financial restructuring than is currently planned.

● Management. BAe's management is in urgent need of strengthening. BAe, in its moment of crisis, has appointed Sir Graham Day as an interim, non-executive chairman, who is already chairman of Cadbury-Schweppes and Powergen.



It is difficult for the remaining top executives such as Mr Dudley Eustace, BAe's finance director, to escape blame altogether for the embarrassingly rushed warning two weeks ago that the company's profits would be half the £300m the City had been expecting.

That will not have impressed GEC, which prides itself on its rigorous internal system of financial reporting.

● Strategy. Does BAe's current management have a clear sense of where it is headed? It plans to stick with four core businesses – defence, commercial aviation, cars and property. The trouble is that this looks like holding on to the diversified range of businesses which got BAe into its predicament in the first place.

Nor were BAe's more grandiose strategic plans entirely Sir Roland's creation. He departed last Wednesday partly because he kept secret the merger negotiations he was conducting with Trafalgar House, the construction, shipping and engineering group. The aim of the abortive merger was to turn BAe into a force in international civil engineering and construction contracting, able to compete with companies such as Bechtel of the US.

These ambitions may seem absurd now but earlier this year that vision was shared enthusiastically by Mr Dick Evans, the chief executive.

So if BAe is in far deeper trouble than it has yet acknowledged, what could GEC do in these circumstances?

BAe is not an appetising prospect. GEC would be concerned it could be buying a financial black hole. Yet it would find it difficult to stand by while such a pivotal customer and partner floundered.

There could be opportunities to extending collaboration into formal joint ventures. Over the past 18 months BAe and Marconi have grown closer, culminating in their failed joint bid for the Merlin helicopter contract. GEC would probably be interested in strengthening its missiles and space activities by acquiring BAe's.

But a much more ambitious tie-up could come on to the agenda. This is how it might work. GEC would form a consortium with a set of financial institutions. This vehicle, in which GEC would have a majority stake, would take perhaps a 30 per cent stake in BAe, putting in new equity to provide it with long-term financial stability.

In exchange GEC would probably require two things from BAe – new management and a revised corporate strategy.

Through the consortium GEC might acquire two seats on the BAe board. Most important, it would vet the appointment of a chairman and chief operating officer who would instal tighter GEC-style financial and management systems.

It would probably reduce BAe to a smaller core of defence and aerospace interests. The Rover car subsidiary would be sold and the property division rundown. BAe's work for Airbus, the European aircraft consortium, might be hived off into a European joint venture. That would leave BAe with small jet airliner manufacture, defence activities and military aerospace.

Such a scenario is not a day-dream. GEC and BAe held tentative merger talks in the early 1980s and there have already been discussions in Whitehall about a tie-up. Defence industry executives believe the government, fearful that BAe might become so financially stricken it would have to turn to it for support, would not stand in the way. A precedent is the way GEC was encouraged by ministers two years ago to buy a chunk of Ferranti, the fraud stricken electronics group.

Selling off BAe assets such as Rover would be politically controversial. However the most important obstacle might be GEC's caution. Lord Weinstock does not like entering talks on a possible deal unless he is virtually certain of succeeding.

The mess at BAe may not be as deep as some fear. It could limp on. BAe may calculate that GEC's help would come at too high a price. So nothing more than a kite might get off the ground. But what is certain is that the BAe drama is far from over and other players are waiting in the wings in case they are offered an appropriate part.

Edward Mortimer

Europe takes the blame

Australia's case against the CAP masks a deeper reliance on US friendship in south-east Asia

FOREIGN AFFAIRS

In the next few weeks trade unions and groups representing consumer, taxpayer, environmental and manufacturing interests throughout the European Community should expect to receive a pamphlet entitled Are You Paying Too Much? Its 12 pages set out, in a minimum of words and a maximum of cute little logos, simple graphs and tastefully coloured charts, the case against the Common Agricultural Policy. The arguments will be familiar enough to the leaders of such pressure groups, many of whom are used to reading them, albeit in less eye-catching form, in Financial Times editorials. Indeed, since pink is the keynote colour used in the pamphlet, their first reaction may be to think that the FT itself has decided to try to take its campaign to a wider public.

However, the pamphlet turns out to emanate from Australian embassies in EC capitals. It is the work of Neal Blewett, Australia's trade and overseas development minister.

On a visit to Australia last week I was asked what I thought of this initiative. The askers were mainly diplomats and businessmen concerned to improve Euro-Australian relations. The Australia Council for Europe had brought us together in the hope of furthering that purpose.

No one in Australia has a good word to say for the CAP, and I did not go there to defend it. But I sensed a certain embarrassment in my hosts about Mr Blewett's pamphlet. They obviously feared it might be something of an own goal, reinforcing stereotypes about Australian gaucheness and perhaps stiffening resistance to Australia's arguments among European governments, which might not like this attempt to turn their own public opinion against their policies.

It is true that the pamphlet will probably not succeed in refreshing the parts of European public opinion that FT editorials cannot reach – any more than French pamphlets, explaining why France needs nuclear weapons and noting that New Zealand is further from Mururoa than France is from Chernobyl, have succeeded in reconciling Australasian public opinion to French nuclear tests in the Pacific.

The Australian pamphlet is indeed fairly crude. It compares food prices in Europe with those in Australia, which are not necessarily what Europeans could expect to pay for imported food even if all restrictions and price controls were abolished. And it makes no reference to the fact that Australian tariffs on industrial products, though reduced in recent years, are still significantly higher than those charged by the EC.

Still, all's fair in love and war, and the use of statistics to make political points must be regarded as a variant of the latter. In dealing with the Soviet Union and eastern Europe, west European governments have successfully asserted the principle that ideas, like trade, should flow freely across frontiers without needing government permission. It would be silly if they took offence at Australia for trying to put its case directly to the European public.

Australian prices are not necessarily what Europeans could expect to pay for imported food even if restrictions were abolished

If Australian diplomats worry about this, it may be because they are used to dealing with Asian governments which have not yet come round to the principle in question – which are, in fact, highly sensitive even to implied criticism in the Australian media, let alone anything emanating directly from the Australian government. The Malaysian government, for instance, has taken exception to a TV soap opera portraying the life of Australian diplomats in an unnamed Moslem country, whose prickly ruler is given to making retroactive corrections in the text of his own inflammatory speeches. For the Australian government such incidents are no easier to shrug off than was the similar Saudi indignation over the TV film Death of a Princess for the British government in 1980.

For it is to this Asia-Pacific region that Australia seeks to belong. Indeed, according to the foreign minister, Senator Gareth Evans, Australians "already see themselves as an integral part" of it. It is, he said last month, "entirely out of date" to think of Australia as "perched uncomfortably on the edge of Asia, surrounded by countries with different political, economic and social traditions, and really at a loss to find a place for itself". Yet, off the record, officials from those same countries still speak of Australia in very much those terms.

Hearing Australians describe what has happened to their country in the past 10 years reminded me of similar transformations in France and Spain: a bonfire of microeconomic restrictions and privileges, and a decisive opening of the economy to external competition and influence. This has been initiated and presided over by an at least nominally left-wing government, which has been able in some degree to blunt the socially divisive impact of the changes. But there is a crucial difference: France and Spain have done it under the broad heading of integration into the EC, intensifying exchanges and building common institutions with neighbouring countries of broadly similar culture. Moreover, this process of integration has been going on within a clearly defined and stable framework of regional security, guaranteed by the active involvement of the US.

The situation in East Asia is very different. There is no Asian economic community, no Conference on Security and Co-operation in Asia, and the various sub-regional imitations of Nato have long since perished, being replaced by a rag-bag of bilateral arrangements. The US is still present, but the end of the cold war has removed its strongest motive for remaining.

The calm with which Washington now envisages the loss of its bases in the Philippines is the latest evidence of this, but Mr Bob Hawke, the Australian prime minister, was already expressing anxiety about it very frankly back in May. Welcoming the Bush administration's commitment to remain in the region as a "balancing wheel", Mr Hawke admitted that for Australia this, rather than the global containment of Soviet power, had always been a "primary purpose". The US, he argued, "cannot afford to risk the possibility that the fastest growing and soon probably the most productive region of the world ... might slide into armed chaos". Not, he added quickly, that there were any "signs yet of an emerging expansionist power" in the region, but "should one emerge, the US military presence would be a powerful countervailing force", and even short of that "the reassurance currently provided by the US encourages regional powers to refrain from acquiring military force capabilities of a size that would prove destabilising and set off a regional arms race".

There is, you see, no treaty limiting the size of conventional armed forces in Asia, nor even a framework within which such limits could be negotiated. Relations between the countries of the region are far from having the warmth and depth of those that now make war between the open societies of western Europe unthinkable. Indeed, Australia's very openness sets it apart (with New Zealand) from most of its closest neighbours; Japan has not been reconciled to and integrated into its regional hinterland in the way that Germany has; and China's future role in the region remains a vast question mark.

When Mr Bush visits Canberra next month he will face angry demonstrations by Australian farmers, who bitterly resent being robbed of their markets by subsidised US food sales. But their anger will not be echoed by Mr Hawke's government, for which the continued friendship of the US is simply too important. It is, in the end, much safer to put all the blame on Europe's CAP.

LETTERS

Party politics essential if European parliament to have more powers

From Mr Ernst Steindorff.

Sir, In your excellent reporting of the current European negotiations you seem to have overlooked one possibility. I am convinced that, while the German government is arguing that the powers of the European parliament should, for democratic reasons, be increased, it could have in mind other reasons also.

A European parliament with increased powers will, above all, be an important actor on the European scene. It can become an ally for any national government on the battlefield of European politics; the German government, possibly, could have this in mind and could be envisaging the day when it would have a larger number of German members in the European parliament as a consequence of German unification.

Yet, irrespective of new powers, the European parliament can as presently constituted hardly contribute to democracy. There are, for instance, some 60 German representatives in Strasbourg, while the German Bundestag comprises more than 600 members. Can the European parliament still "represent" the electorate, particularly if new states become members of the community and if, as a result, the number of representatives per state may have to be reduced?

Mr Frank Vibert's article ("Personal View: Making the community fit to welcome new members", September 18) prompts this question. And does not democracy at the community level presuppose that future policies of the community are formulated by political parties rather than by a "neutral" commission, or by the council, in order that people can opt for the current majority or the opposition when it comes to the election of the European parliament?

The answer must be "yes". This means that the existence of European parties and of a stable majority and opposition is a prerequisite for larger powers of the future European parliament just as economic convergence is a condition for monetary union. Demands for more democracy in the community by way of parliament cannot be taken seriously as long as the electorate is not offered a clear choice between parties.

Ernst Steindorff,
Hofbrunnstrasse 25,
8000 München 71
Germany

Resolution not all that it appeared to be

From Mr Edmund Dell.

Sir, Mr Ken Gill of MSF criticises me (Letters, September 30) for saying that the TUC's resolution on Japanese inward investment was "absurd, ridiculous and damaging". It is indeed absurd and ridiculous for the TUC to compel its general secretary, Mr Norman Willis, to undertake his present heroic efforts to explain that the resolution did not mean what it appears to mean, in fact really quite the opposite.

The unregenerate image of British trade union insularity exemplified in Mr Gill's letter and in his resolution is certainly damaging and not only to inward investment.

Edmund Dell,
president,
London Chamber of Commerce and Industry,
69 Cannon Street, London EC4

Bad deal for bibliophiles

From Ms Elizabeth Balsom.

Sir, British bibliophiles get a raw deal on several fronts. Mr Richard Turner writes (Letters, September 21) that Professor Stephen Hawking's A Brief History of Time is not yet available in paperback. In the US it has been published in this format for some considerable time – I bought my own copy there last year. Why, therefore, cannot British readers take advantage of the lower priced version?

Defenders of the Net Book Agreement must surely be aware that in cities like New York individual bookstores selling books at full price flourish alongside a large discount chain – their ambiance is rather different and, in my experience, their sales assistants more knowledgeable. Perhaps it is a question of finding your market niche.

The NBA aside, can anyone explain to me why ordering a book is such a protracted process in Britain, requiring a wait of at least three weeks even for a book that has been widely reviewed, whereas in Germany it takes only a day?

(I, too have not finished Prof Hawking's book!)

Elizabeth Balsom,
16 Coalecroft Road,
London SW15

Too early to talk of the death of independent financial advisers

From Mr Ben Carroll.

Sir, To independent financial advisers (IFAs) like ourselves, the loss of a big player such as NatWest is regrettable. Doubtless it will weaken the position of IFAs in a competitive financial services market. But the general blurring of true independent advice, of which this is a symptom, is even more regrettable for the customer. With tied agency and now "badging" deemed acceptable practices, the Securities and Investments Board with its Retail Review must take much of the blame for this.

Nevertheless, NatWest's move will hardly deal a "death blow" ("NatWest to link with life insurer", September 27) to our robust IFA sector. We will continue for as long as the public demands best advice. Given the choice, few would dispute this is what the British public prefers.

Ben Carroll,
managing director,
personal financial services,
Noble Lowndes & Partners,
Norfolk House,
Wellesley Road, Croydon

From Ms Joanne Hindle.

Sir, The articles, "Desperately seeking succour", and "Lex Column – mutuals" (September 26) suggest that the costs of compliance have forced many independent financial advisers to become tied agents, thus shrinking the number of sales outlets and potential business expansion plans for those mutual insurers which supported the IFA market.

While I would agree that the costs of compliance have put many IFAs in the UK out of business there are still well over 20,000 licensed independent financial advisers nationwide.

However, compliance costs are expensive and we are currently lobbying on behalf of our members, (over 4,000 IFA firms) in Westminster and Brussels for these to be reduced as the European Directive on Capital Adequacy, should it come into effect, will, I believe, force a third to a half of them to cease trading.

Our organisation is 75 per cent funded by some 31 sponsors, all of which have agreed to continue contributing for a further three years to our £3m annual budget to raise consumer awareness of independent financial advice.

Joanne Hindle,
chief executive officer,
IFA Promotion,
4th floor,
28 Greville Street, London EC1

No obligation

From Mr Jukka Knuuti.

Sir, The last sentence of your article, "Finland and Soviet Union form joint venture for wood supply" (September 13), regarding the signing by Finnish and German defence ministries of an agreement on military hardware formerly owned by the now-defunct East German army, said: "A 43-year-old treaty of friendship, co-operation and mutual assistance with Moscow obliges Finland to equip part of its defence forces with Soviet military equipment."

There is absolutely nothing in the Treaty of Friendship, Co-operation and Mutual Assistance which obliges us to equip our defence forces with Soviet-made hardware.

The Finnish defence forces have some Soviet-made military equipment, such as MiG 21bis fighters, tanks and artillery pieces. But it has nothing to do with the FCMA-treaty. We have bought them as a part of our bilateral barter trade with the Soviet Union.

Jukka Knuuti,
special adviser,
International Security Affairs,
Ministry of Defence,
Finland

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Wednesday October 2 1991

Privatisation agency investigates charges that it undervalued east German assets

Treuhand director suspended over sale

By Leslie Colitt in Berlin

GERMANY'S Treuhand privatisation agency yesterday launched an investigation into charges that it greatly undervalued the assets of east German electrical engineering and electronics companies sold to western investors for a nominal price.

Mr Harald Lang, a director of the Treuhand, was suspended "at his own request" until the completion of the internal probe. Mr Lang was in charge of the recent sale of the GRW electronics company in Teltow, a suburb of Berlin, for DM1 (50 cents) to west German investors who stood to make enormous gains from the soaring value of the property.

Mr Wolf Schöde, the Treuhand spokesman, admitted that the margin of discretion in *evaluating GRW's balance* sheet could have been exploited "to the detriment of the Treuhand". However, he denied a report in Der Spiegel news magazine that the company was worth DM130m.

The disclosures came as the Treuhand faced renewed criticism over the sale of its industrial companies to property developers. Mr Theo Waigel, the German finance minister, who was in Berlin for the annual meeting of the Treuhand, said he would await the *results of the inquiry before* reacting.

Widespread protests from both the public and city officials forced the cancellation in August of the sale of the Narva lamp company in east Berlin to property developers. The company's operations would have been wound up and employees made redundant.

Mr Schöde said the investigation launched in the auditing department of the Treuhand would take several days to complete. The two investors *in GRW, Mr Claus Wisser and* Mr Roland Ernst, who have widespread property interests in both west and east Germany, yesterday arrived at the Treuhand to co-operate with its investigators.

Mr Wisser and Mr Ernst had agreed to invest DM120m by erecting commercial parks on GRW's property and pledged to employ at least 1,500 workers.

Mr Schöde said it was not immediately clear from the contract how many employees might be paid by the Labour *ministry rather than the company*, as part of the ABS employment scheme.

The investors, however, faced a fine of DM20,000 for each person they did not employ, he said.

Leningrad, former capital of the Russian czars on the Gulf of Finland, officially reverted to its original name of St Petersburg yesterday following a June vote in which 5m residents called for a return to former glories.

Dutch warn over weak EC political union treaty

By Andrew Hill in Brussels

THE Dutch presidency of the European Community, humiliated by having its draft political union plans thrown out by its partners, suggested yesterday that a weak treaty might not be worth signing.

The Netherlands is under pressure to come up with a new draft of its proposals after they were attacked by 10 of its 11 EC partners at Monday's meeting of foreign ministers in Brussels.

Mr Hans van den Broek, the Dutch foreign minister, said after the two-day meeting finished yesterday that it was not only the presidency that would have to compromise on its goals for political union.

"We need all colleagues to be co-operative, to be clear, and to be prepared to make some compromises," he said. "In the final analysis we will have to make a choice, and if we can only reach a consensus on an extremely weak basis we will have to judge whether it is worthwhile to enter into that treaty."

Mr Piet Dankert, the Dutch European affairs minister, told the European parliament that the presidency was now "working on the basis of the Luxembourg text" (the draft prepared by the last presidency). It would be concentrating on problem areas including the powers of the parliament, foreign and security policy, and the link between the political and monetary union treaties.

He said he hoped that today the situation would become clearer.

The attack on the Dutch on Monday is seen in Brussels as another setback for the Netherlands presidency. Mr Ruud Lubbers, the Dutch prime minister, and Mr Wim Kok, the finance minister, seem to have been distracted from their presidency duties in recent weeks by a political row at home over welfare payments.

The failure to win acceptance for the latest proposals could make it difficult for the Dutch to host a successful summit of EC leaders at Maastricht in nine weeks.

However, Mr Mark Eyskens, the Belgian foreign minister and the Netherlands' one ally in Monday's meeting, along with the European Commission, told the European parliament: "It's too early to talk about a failure. We shouldn't be too disappointed: it's a provisional situation, a temporary snag."

Alison Smith adds from London: British officials said the government was encouraged by the apparent readiness of Mr Jacques Poos, the Luxembourg foreign minister, to envisage the word "federal" being dropped from the Luxembourg draft if that was necessary for an agreement. The UK rejects the notion of a federalist Europe.

Safe harbour, Page 14

Fighting flares in Croatia ● Federal army threatens destruction

Clashes shatter Yugoslav ceasefire

By Laura Silber in Belgrade

THE FRAGILE Yugoslav ceasefire was shattered yesterday as fighting flared again in Croatia and the federal army threatened widespread destruction in retaliation for sieges of army bases in the rebel republic.

Clashes were reported around Vukovar, close to the border with Serbia, and at several points along the Adriatic coast and the border with Montenegro, a close ally of Serbia.

Belgrade radio said Serb insurgents, backed by the Serb-dominated federal army, were attempting the "liberation of Vukovar", where the army barracks is under siege, while Croatian radio accused the army of launching heavy mortar attacks near Dubrovnikand Zadar on the Adriatic coast.

Meanwhile Croatian radio said that Osijek, the embattled regional capital of eastern Croatia had been under attack by mortars and rockets all day.

Belgrade Radio reported that among the Croatian forces in Pakrac, central Croatia, 270 people were dead and wounded, but Croatian radio reported no deaths and injuries.

Late on Monday night an army spokesman warned it would "no longer tolerate the atrocious crimes against army soldiers" and threatened "to annihilate a target of vital importance to Croatia in return for every attack on army facilities".

The latest warning follows the despatch of several hundred tanks and troop carriers to Croatia and the seizure by Croatian forces of the important garrison of Bjelovar, 50 miles east of Zagreb, the Croatian capital, on Monday. Croatian radio reported that 35 federal soldiers were killed during the capture of the Bjelovar barracks.

Diplomatic sources said the European Community-sponsored peace conference chaired by Lord Carrington, Britain's former foreign secretary, was due to resume on Friday.

The Croatian State Council yesterday rejected the army ultimatum and dismissed the charges that Croatia has repeatedly violated previous ceasefire agreements, including the latest agreed on September 22.

But western diplomats based in Belgrade said that there were signs of a weakening in the army's position.

Despite the ominous tone of its ultimatum to Croatia, the army also offered to negotiate an army withdrawal from beleaguered barracks.

"If Croatia wishes to avoid further bloodshed and destruction, then the local authorities must immediately contact army commanders to secure the complete withdrawal of units with all their equipment as well as families of army personnel, which can be monitored by the international monitoring group," said the army statement.

Mr Henri Wijnaendts, Special EC envoy in Yugoslavia, said on Monday the EC had been nearing agreement between the army and Croatian for some bases to be evacuated.

Italian government to boost privatisation

By Robert Graham in Rome

THE ITALIAN government has given a boost to privatisation by dropping the state's insistence on retaining majority control. Legal mechanisms are also to be introduced transforming state enterprises into publicly quoted companies.

The measures, approved by the cabinet late on Monday night as part of next year's budget, were championed by Mr Guido Carli, treasury minister, and pushed through in spite of socialist objections in the four-party coalition.

The government is hoping to raise up to L15,000bn ($12bn) in privatisations next year. This would account for roughly a quarter of the funds needed to hold the public sector deficit down to L128,000bn.

It is also a substantially more ambitious sum than forecast when the government projected privatisation sales last year. Then, the figure envisaged in the three-year period 1991-93 was less than L17,000bn.

So far, the programme has been marking time in spite of a commitment to raise more than L5,000bn during the current financial year. The government now appears anxious to signal its intention to accelerate the programme.

Agreement has also been reached on a L4,200bn valuation for Crediop, the state-owned corporate finance and investment concern, 40 per cent of which is being bought by Istituto San Paolo di Torino.

Until now there has been strong resistance to the state losing majority control of public concerns. Nevertheless, the Treasury argued hard for a change, both to encourage a wider spread of investors and to raise more funds.

With the public sector deficit at 10.5 per cent of gross domestic product and interest payments accounting for the bulk of the deficit, selling off state assets has become an increasingly attractive option.

The government is thinking of raising money not merely through privatising state companies but also via disposal of state property assets.

The 1992 budget was approved along lines announced earlier. Cuts in spending are modest, mainly affecting the national health service and a decision to hold public sector wage increases to 4.5 per cent next year. The controversial issue of raising the pensionable age from 60 years for men and 55 for women has been side-stepped.

On the revenue side, apart from privatisation, the government has resorted to a tax amnesty covering the years 1986-90 in the hope of raising an extra L12,000bn.

Hope of lower interest rates boosts Japanese stocks

Continued from Page 1

they said. The ratio cuts were also aimed at smoothing operations in the money markets.

Mr Robert Feldman, an economist at Salomon Brothers, said the measure would make it cheaper for banks to lend. But it would not prompt a sharp increase in lending because the banks were separately constrained by a need to maintain adequate reserve ratios for capital – under the rules of the Bank for International Settlements. So the direct credit-easing effect was limited. Nevertheless, it was "an important signal" of the continuing easing of monetary policy.

Central bank officials said reserve requirements for deposits of more than Y2,500bn ($18.6bn) would be cut by 0.475 percentage points to 0.9 per cent, with similar reductions for smaller deposits.

The overall effect would be to reduce ratios by 40 per cent, they said.

Speculation about the timing of a cut in the Official Discount Rate was rife yesterday, with some analysts forecasting a reduction before the end of this month.

The last reduction in July, from 6 per cent to 5.5 per cent, marked the end of two years of tightening in monetary policy.

Money market rates, which peaked early this year when the unconditional call rate touched 8.5 per cent, have been falling in anticipation of further ODR cuts. Yesterday, the overnight rate finished at around 6.95 per cent, down from 7.1 per cent.

In spite of a general optimism about the economy, yesterday's announcement reflects concern at the Bank of Japan about the recent rapid decline in the rate of money supply growth, which last month hit a new low of 2.8 per cent year-on-year, compared with a peak of 13.2 per cent in May 1990.

Some industrial companies have cited fund-raising difficulties as a reason for cutting planned capital spending, though they are more often motivated by worsening conditions in their product markets.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Berlin	S	15	59	Caracas	C	28	83	Faro	S	22	72	Islamabad	F	26	79
Algiers	F	25	77	Biarritz	C	19	66	Casablanca	S	21	70	Florence	C	20	68	Istanbul	S	26	79
Amsterdam	C	13	55	Bombay	F	31	88	Chicago	F	8	46	Frankfurt	F	15	59	Jakarta	F	33	91
Athens	S	34	93	Bordeaux	C	18	64	Cologne	C	14	57	Geneva	S	19	66	Jersey	C	15	59
Bahrain	S	31	88	Boulogne	F	16	61	Copenhagen	F	13	55	Gibraltar	S	24	75	Johannesburg	S	23	73
Bangkok	C	31	88	Brussels	C	13	55	Corfu	S	33	91	Glasgow	R	11	52	Lima	C	19	66
Barcelona	S	22	72	Budapest	F	20	68	Dallas	F	17	63	Helsinki	F	14	57	Lisbon	F	22	72
Beirut	S	27	81	Buenos Aires	F	19	66	Dublin	F	14	57	Hong Kong		-	-	London	F	16	61
Belfast	F	11	52	Cairo	S	33	91	Dubrovnik		-	-	Innsbruck	S	15	59	Los Angeles	S	19	66
Belgrade	C	29	84	Cape Town	C	17	63	Edinburgh	S	11	52	Inverness	R	11	52	Luxembourg	C	12	54

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	23	73	Milan	F	21	70	Nicosia	S	31	88	Salzburg	S	19	66	Tenerife	Dr	23	73
Madrid	S	20	68	Montreal	R	11	52	Oporto	S	19	66	San Francisco	C	13	55	Tokyo	R	18	64
Majorca	F	25	77	Moscow	S	20	68	Oslo	S	12	54	Seoul	S	25	77	Toronto	C	12	54
Malaga	S	24	75	Munich	S	18	64	Paris	C	14	57	Singapore	F	30	86	Tunis	F	27	81
Malta	S	30	86	Nairobi	F	27	81	Peking	R	21	70	Stockholm	F	12	54	Valencia	F	24	75
Manchester	C	12	54	Naples	F	26	79	Prague	F	16	61	Strasbourg	F	17	63	Venice	S	21	70
Manila	C	31	88	Nassau	C	30	86	Reykjavik	F	8	46	Sydney	S	24	75	Vienna	S	18	64
Melbourne	S	21	70	New Delhi	S	32	90	Rhodes	S	32	90	Taipei	R	26	79	Warsaw	F	16	61
Mexico City	C	21	70	New York	F	16	61	Rio de Janeiro	C	28	82	Tangier	F	22	72	Washington	C	17	63
Miami	R	24	75	Nice	S	22	72	Rome	F	24	75	Tel Aviv	S	30	86	Zurich	F	17	63

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

A welcome break from politics

There is something perverse in the stock market's reaction to Mr Major's decision not to call a November election after all. In marking up prices by some 1 per cent yesterday, investors appeared to be expressing relief that uncertainty has gone away. But given that the market is ultimately looking for a Conservative victory, it is curious that prices should rise because the government has concluded that, as things stand, it cannot win.

Some of yesterday's advance had other causes, such as the heavy mark-up of British Telecom on institutional buying ahead of next month's sale. Nevertheless, the logical interpretation is that investors believe the government stands a better chance of victory in the spring. That implies faith in a stronger and faster recovery than yet seems likely, not to mention the assumption that the government will be able to pick its way through the minefields of Europe and next year's poll tax: or, indeed, that it can plausibly produce a give-away budget in March.

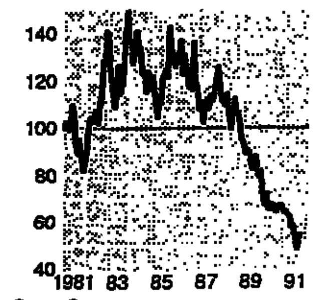
The prospect of a further cut in base rates at next week's party conference must have receded. This delay may be a relief,given sterling's recent weakness within the ERM. But the UK remains hostage to developments elsewhere. A faltering US recovery has put renewed downward pressure on US rates, while there is an opposite pull in Germany as the Bundesbank frets about inflation. That is a recipe for a strong D-Mark, which would cramp the style of the UK authorities, even if they may still squeeze out a half-point cut at some stage during the winter.

Of course, German rates may have turned down again by next spring. That would help Mr Major, but is far from being a foregone conclusion. He may have extricated himself from what promised to be a fiasco next month, but the market cannot lay politics to one side. Mr Major is now boxed in until next spring. He will be lucky if the economy is going his way by then.

FT-SE Index: 2,035.9 (+14.3)

Sears

Share price relative to the FT-A All-Share Index



Source: Datastream

Water sector

Ofwat's robust handling of the privatised water companies has given it a reputation as the toughest of the regulators. Yesterday's announcement of next year's price increases suggests a turning point in the relationship. Granted, in achieving a voluntary reduction from every company except Anglian and South West, Ofwat has saved consumers some £40m off next year's bills. But investors have good reason to be philosophical about the sacrifices made by the companies, which in aggregate will benefit from 84 per cent of the maximum allowable price increase.

The danger for the sector was that Ofwat would ignore such small voluntary reductions and force the intervention of the Monopolies Commission. The companies will doubtless have been relieved to see Ofwat stress instead the avoidance of an annual cycle of price battles. It has placed the issue in a medium-term context, defining its role as guarding against monopoly abuse while preserving performance incentives.

Given that the companies were privatised on the basis of financial assumptions which quickly looked generous in the extreme, it scarcely hurts them to give a small break to their customers. If that also gets the regulator off their back, the way seems clear to above average dividend increases. The factor restricting the shares' headroom would now seem to be more political than regulatory.

Sears

What is to be done with Sears? In the first six months of this year, its shops, which occupy some £750m worth of largely freehold property, made £5m of profit before interest. Its shoe business, which accounts for 40 per cent of those assets, slid for the first time into ignominious loss. The market, which for years has lived in vain hopes of a bid, has lately shown renewed signs of optimism. It could be due for fresh disappointment.

The central difficulty is that Sears' market value of £1.4bn is at a 9 per cent premium to asset value. If it were a pure retailing property company, it might expect to stand at a discount to asset value in today's markets of at least 15 per cent. Granted, a creator of real retail brands such as Marks and Spencer stands at a premium to asset value of around 200 per cent. But Sears' record on brand value is better illustrated by the fact that it has lately handed over its Horne menswear shops to its management for nothing, with £20m of stock, fixtures and fittings thrown in.

Anyone paying a further bid premium for the company would be faced with the likely prospect of scrapping most of the brands and selling the shops off piecemeal, while taking a heroic bet on the scale and timing of the retail recovery. Meanwhile, if Sears were prepared to settle for the role of landlord on the GUS model, it might have a claim on shareholders' patience. Instead, it continues to present itself as a retailer with a property sideline. On the likely assumption that the final dividend is maintained, the shares yield 7.6 per cent. There seems no other reason for holding them.

BT sale

BT's shares rose 4 per cent to their all-time high yesterday as the shape of next month's £5bn secondary sale was made public. Barring a wider market collapse, it is hard to see them losing much ground until the sale is out of the way. On two counts, the offer structure is an improvement on past efforts, at least as far as the UK taxpayer is concerned. The institutional tender includes an obvious incentive for investors to aim high in the bidding: the higher a bid above the eventual strike price, the more chance of obtaining stock. UK institutions have been granted no favours, but must compete against foreign demand.

In addition, the discount on the retail offer will be confined to UK investors. That belatedly removes the anomaly whereby residents in Tokyo and New York were given a subsidy to acquire UK public assets. Gone, too, is the traditional protracted delay between pricing and first dealings.

The snag is that all this obscures the simplicity of the choice facing the institutional investor. Those weighing up BT's attractions have no better reason to buy them in the sale than they had before. Indeed, before yesterday, the shares would have been rather cheaper.

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COMPANIES & MARKETS
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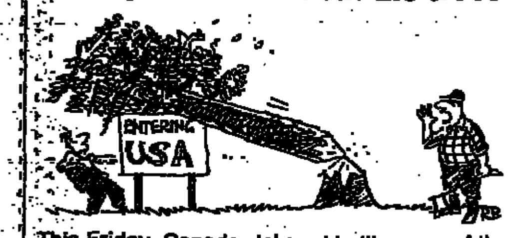
INSIDE

High bids urged for next BT sale

Institutions will be encouraged to bid high for shares in the next sale of British Telecom shares, and those willing to pay more will get the largest allocation of shares. Once the government has settled on a price, all large investors will pay the same. Page 24

Seeing the wood from the trees



This Friday, Canada risks rekindling one of the most bitter trade disputes with the US in recent years. It plans to rescind a 15 per cent export tax that it levied on Canadian softwood lumber shipments to the US. Much has changed since the tax was introduced five years ago to placate US timber interests, including a strengthening of the Canadian dollar and a slump in the US housing market. Page 28

Waiting for the party to start

The gloss has been removed from Brazil's privatisation programme following last week's cancellation of the sale of the steel group Usiminas. Demonstrators at the Rio de Janeiro exchange rioted over possible job losses and against a minimum share price which was seen as too low. With company results likely to be worse this year than 1990, the Brazilian stock market will depend heavily on privatisation and foreign investment to lift prices over the next few years. Back Page

A most expensive option

ALCAN

The aluminium industry, already deeply scarred by the recession, is facing tougher times. Leading producers have cut operating costs, shed thousands of jobs and even shelved major projects. Now, according to Mr David Morton, chairman of Alcan Aluminium, the industry will have to look seriously at shutting down capacity temporarily – one of the most expensive, and unwelcome, ways of curbing production. Page 20

Pöhl joins Robeco board

Karl-Otto Pöhl (left), the former president of the Bundesbank, the German central bank, will join the supervisory board of Robeco, the Rotterdam-based investment group, in mid-1992. Pöhl resigned as president of the Bundesbank in July after 11 years in office. Page 18

Mondadori losses hit L6.3bn

Mondadori, the Italian publishing group controlled by Mr Silvio Berlusconi's Fininvest concern, reported a L6.3bn ($5m) loss in the first half of this year, before extraordinary items and minority interests. It expects an improvement in the second half. Page 18

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Fag Kfischer	274.5	+	6.5	Accl Entrepr	1030	+	37
Lahmeyer	931	+	21	Eurocom	798	+	28
Rheinmetall Prf	252	+	10	Intertechnique	910	+	30
Falls				Sefimeg	485	+	20
Didier-Werke	161.5	–	7.5	**Falls**			
Linotype-Hell	515	–	22	BIC	732	–	27
Rheinelektra	1410	–	42	Beghin-Say Crt	470	–	18

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
BT	71½	+	2	Aichi Steel	719	+	62
Cleveland-Cliffs	33⅛	+	¾	Bosco Oil & Fat	620	+	65
Lamson & Sssns	4¼	+	⅛	Godo Shusei	1280	+	140
Weirton Steel	4½	+	½	Sun Telephone	1420	+	200
Falls				Tokai Sen-I	710	+	84
Bowater	22½	–	1⅛	**Falls**			
Int Device	4⅞	–	½	Koritz	870	–	100

New York prices as at 12:30.

LONDON (Pence)							
Rises				Partida	10	+	3½
Airtours	795	+	17	Raine Inds	143	+	8
Anglian Water	399	+	14	**Falls**			
Beckman (A)	81	+	8	Adscene	88	–	15
Boosey&Hawkes	830	+	40	Carlton Comms	524	–	20
Brent Walker	16¾	+	1¼	Computer People	125	–	10
Brit Telecom	413	+	16½	First Nat Fin	72	–	13
Cadbury Schw	438	+	15	Lucas Inds	140	–	8
Claremont Grmt	196	+	8	Microgen	161	–	8
Cramphorn	128	+	6	Stylo	235	–	9
ML Labs	552	+	22	Ward Group	105	–	5
Mosaic Invs	270	+	15				
Owners Abroad	116	+	6				

European group may try to break up BAe

By Charles Leadbeater and Robert Peston in London

A GROUP of UK financial institutions is in discussions with continental European defence companies to organise a break-up bid for British Aerospace.

The institutions are counting on the reluctance of BAe's shareholders to buy new shares in the defence conglomerate's £432m ($754m) rights issue unveiled two weeks ago. The group would offer to acquire all the new shares, though it would insist on being granted options so that it could eventually acquire a controlling stake. The acquisition of the rights alone would give the financial group a 29 per cent stake.

The consortium intends to use the stake to push for the demerger of British Aerospace into its main constituent parts: the manufacture of civil aircraft, a defence business, plus Rover Group, the automotive manufacturer, and Arlington Securities, the property developer.

"I am convinced that BAe has no future in its current form," said a leading financier involved in the bid plans. "The best solution for its defence business is for it to be merged with defence companies in France and Germany".

There is the possibility of a counter-move from the UK's General Electric Company. GEC's Marconi defence subsidiary supplies electronics systems for military aircraft manufactured by BAe. GEC and BAe held tentative merger talks in the early 1980s after Thorn, the electrical group, launched an abortive bid for the aerospace combine.

Defence industry executives believe GEC is drawing up plans to ally with a separate consortium of financial institutions to take a 30 per cent stake in BAe.

It is thought the Ministry of Defence would not stand in the way of GEC taking a stake in BAe even though the link would represent further concentration in the defence sector, where they are the UK's two largest suppliers. Ministers are concerned that BAe should be financially secured without calling upon the government for support.

The rival London-continental grouping is convinced on the basis of informal discussion with the government that the 30 per cent limit on foreign shareholdings in BAe would be lifted to allow a bid to go ahead.

The crisis at BAe began to unfold last month when just before the launch of the rights issue, it warned that profits this year would be about half the £300m analysts had been expecting. Then last Wednesday Sir Roland Smith was forced to resign as chairman. Mr Dick Evans remained as chief executive and Mr Dudley Eustace stayed as finance director.

Leading shareholders in BAe said yesterday they believed the company might need a new executive team. A BAe non-executive director, however, said: "It would be stupid to oust Mr Evans." He said BAe's Al Yamamah deal to supply defence equipment to Saudi Arabia, vital to the company's survival, would be put in jeopardy if Mr Evans left.

BAe said yesterday that progress had been made in finding a replacement for interim chairman Sir Graham Day.

High cost of help, Page 15

British Gas pipes are stretching east, reports Deborah Hargreaves

German gateway to global growth

BRITISH Gas has positioned itself for deeper expansion into Germany's energy business with last week's purchase of a 5 per cent stake in Germany's Verbundnetz Gas, the former east German gas distribution company.

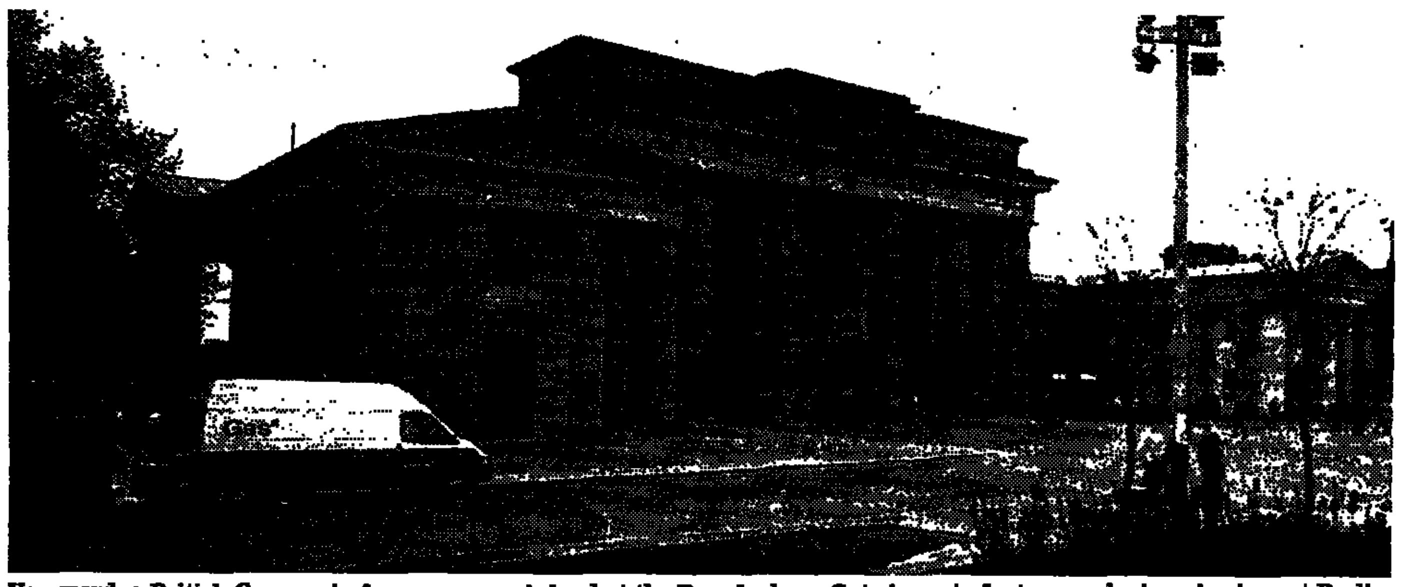
The UK utility plans to spend £250m ($436.5m) in the next five years on upgrading the former east German gas grid to western standards. "The cost is not so much in buying into some of these former state companies, but in onward investment," said Mr George Langshaw, managing director of company's Global Gas, or distribution and service, division.

The company has so far spent about £120m on buying stakes in east Germany's regional gas utilities, including its share in the distributor. "We want to build a network of investments that makes our standards the norm," said Mr Langshaw.

Eastern Europe and the USSR is one of four areas targeted by British Gas for its global expansion. Mr Robert Evans, chairman, has said that within three years he wants the company's exploration and production division together with its global gas business to make the same profit contribution as made by British Gas's huge domestic sector. Profits from domestic customers account for more than three-quarters of British Gas's income while exploration and production and Global Gas account for a quarter of its profits.

It will be difficult to increase income from British Gas's global divisions to match domestic profits by 1994. The exploration and production division made a pre-tax profit of £264m last year and Global Gas £68m.

But Global Gas has some £500m to spend during the next five years on overseas expansion and British Gas's exploration budget alone is £600m.



Vanguard: a British Gas van in former no man's land at the Brandenburg Gate is part of a team re-laying pipe in east Berlin

With pockets as deep as these, the company has been criticised for a lack of direction in its expansion strategy.

Mr Howard Dalton, who heads the exploration and production division, joined the company earlier this year from Amoco, the US oil company, to focus on global expansion.

He said: "British Gas has probably been afflicted with too much cash and now we're trying to put some discipline into the expansion." This involves focusing on four areas: the North Sea, the USSR and eastern Europe, southeast Asia and the US.

The company has a two-pronged approach to overseas growth: its exploration arm concentrates on searching for gas in areas where Global Gas has a chance to gain a foothold.

British Gas has been awarded two licences to explore for gas in Bulgaria. Mr Dalton said: "If discovered, the gas reserves could go to servicing the domestic Bulgarian market which is 90 per cent dependent for its energy on the USSR. But if we have a really substantial find, we could look at exports to the west."

This is where Global Gas can play a part as it could bid for a stake in Bulgaria's national grid system or provide pipelines for exporting gas from the country.

So far, Global Gas has focused on Germany where it is now the country's largest foreign utility.

In the past few months it has taken a 24 per cent stake in a new gas distribution company, Gasversorgung Sachsen Anhalt, which will sell gas in the Halle region near Leipzig, and it has bought a 25.5 per cent share in Westsächsischen Energieversorgung, a regional distribution company. The company is also in negotiations with the towns of Leipzig and Magdeburg over buying into their distribution companies.

"The quality of engineering is very good, but the whole system has been starved of resources," said Mr Langshaw. British Gas will initially re-lay hundreds of miles of gas pipe which have been eroded and the company is currently re-laying pipe in former east Berlin.

However, British Gas's main contribution to the ventures will be to build a market for gas as it has done in the UK. In most of eastern Europe, domestic usage of gas is well below 50 per cent compared with 90 per cent in the UK – up from 10 per cent 20 years ago.

"We have a vast area of expertise on serving a fast-growing market and building a market," said Mr Langshaw. The utility has based a few UK managers in Berlin and is training local employees.

Next month British Gas joins the bidding for Hungary's five utilities which are due to be privatised. Mr Langshaw says the company wants to buy minority interests that give it influence over the way the business is developed.

These investments are long-term and although the company cannot hope to see much of a payback for 12 to 15 years, it expects a solid, constant profit after that. British Gas's domestic business in the UK is hugely profitable and contributes more than 75 per cent to British Gas's £1.8bn profits.

Mr Dalton sees the Soviet Union as an important area for oil and gas exploration. British Gas is involved in a joint venture with Gulf Canada Resources to develop an oilfield in the northern Soviet Union at a cost of C$1bn ($884.9m).

Details of this venture are not yet finalised but it gives British Gas a foothold in a country with one of the world's greatest oil and gas reserves. "The USSR has over 40 per cent of the world's gas reserves which, some day, will be needed to serve western Europe," said Mr Dalton.

Swedish banks hit by credit losses

By Robert Taylor in Stockholm

MOUNTING credit losses have severely damaged the financial performance of two of Sweden's leading commercial banks, according to interim reports made yesterday.

Svenska Handelsbanken, Sweden's third-largest commercial bank, announced an 8 per cent improvement in operating profits to SKr3.38bn ($563m) for the first eight months of 1991 but credit losses more than doubled to SKr904m, amounting to 0.5 per cent of total lending volume.

Gota Bank, the fourth-largest Swedish commercial bank, reported a fall in operating profit to SKr63m for the eight months from SKr624m over the same period of 1990. Its credit losses soared by 122 per cent to SKr1.37bn from SKr618m.

The bank said it expected to make hardly any profit this year and credit losses were likely to reach SKr2bn for the whole year.

Gota group's profit per share fell to SKr0.14 from SKr6.69 and rates of return to 0.2 per cent from 10.9 per cent.

Handelsbanken said it expected its financial results for the whole year to be at the same level as its SKr4.558bn operating profit in 1990.

Total income up to August totalled SKr7.824bn, an 18 per cent increase while returns on capital declined to 20.7 per cent from 22.8 per cent.

Profits per share for the past 12 months were SKr21.38 compared with SKr19.65 for the previous 12-month period.

There was a 3 per cent growth in lending to households in the eight months while corporate lending rose by 18 per cent for credits in Swedish krona and by around 20 per cent for credits in foreign currencies.

Andersen study forecasts upheaval in US banking

By Alan Friedman in New York

THE NUMBER of US banks is expected to fall by 25 per cent in the next 10 years and the banking industry could lose a quarter of a million jobs, according to a new survey of bankers by Andersen Consulting, an arm of auditors Arthur Andersen.

The study, based on responses from 250 US bankers and regulators, suggests that the wave of US banking mergers is only the beginning of a long-term consolidation that will emphasise cutting processing costs and maintaining and differentiating consumer banking services.

One conclusion is that the norm for retailing will become the goal for financial services, with a need by banks to carve their market niche on the basis of price and quality of service.

Mr Waino Pihl, the Andersen partner in charge of the study, said: "Few retail banking customers can find any difference between the top two local banks in their communities. Bankers need to break away from the pack with highly focused strategies for the highly competitive years ahead."

Among the survey's conclusions are:

- Only 7,300 of the 9,500 bank holding companies and independent banks in the US will survive by the year 2000.
- The number of thrifts will drop by 66 per cent, from 2,900 to 1,000 in 10 years.
- Banks will need to double their return on equity, now averaging 8 per cent, to survive the shake-out in the industry.
- The number of banks with more than $100bn of assets will grow from four to 10 in a decade.
- The number of "super-regional" banks with assets between $25bn and $100bn will rise from 25 to nearly 40 by the year 2000.
- Banks will focus on branches and other retail delivery systems to reduce non-interest expenses.

The survey says bank branches will remain constant at about 60,000, while thrift branches should decline from 25,000 to 15,000 in the next decade.

Around 93 per cent of respondents favoured restructuring of federal oversight agencies. About 80 per cent favoured eliminating the "too-big-to-fail" doctrine while 80 per cent of federal officials wished to retain the policy.

Mr Michael Wambay, another partner in the study, said that while a few banks would survive as full-service institutions nationwide, "most can no longer afford to be all things to all people".

Molins beats off Leucadia bid

By Peggy Hollinger in London

MOLINS, the UK tobacco machinery manufacturer, yesterday narrowly beat attempts by Leucadia National of the US, its 48.45 per cent shareholder, to win control of the group by nominating six of its candidates to an enlarged board.

This is the fifth time in four years that the engineering company has escaped attempts by hostile shareholders – including the Australian entrepreneur Sir Ron Brierley – to win control. Leucadia lost its 275p-a-share bid for Molins last year by a small margin.

After a five-hour meeting, Molins won each of the 10 resolutions – nine of which would have ejected three non-executive directors and replaced them with Leucadia's six nominations. The final proposal, to enlarge Molins's share capital "for acquisition purposes", was passed by a majority of only 0.08 per cent. "Molins will now be able to dilute Leucadia's holding to 40 per cent quite easily," said one shareholder.

Mr Michael Orr, chairman, denied the resolution had been presented soley to scupper Leucadia's efforts to take control. "In the last five years the emphasis has been on improving existing businesses. We now feel strong enough to look at acquisition possibilities," he said.

Molins has spent the past three weeks lobbying for support from institutional and private shareholders. Nevertheless, the outcome at yesterday's extraordinary meeting in London was still unclear as the board sat down to address shareholders.

The Leucadia team appeared confident of victory, smiling as they asked for polls to be taken on each resolution. Their disappointment was evident when the results were announced.

Leucadia now goes back to the drawing board on Molins, prepared to increase its holding by the allowed 2 per cent a year. It reiterated yesterday it was not prepared to make a bid until Molins granted fuller access to company files.

Molins, meanwhile, plans to meet Leucadia next week. However, Mr Orr said he could not see that the two companies would reach any solution to the impasse.

The engineering group now has 10 months to find an acquisition that both fits its businesses and will stand the inevitable close scrutiny from its largest shareholder before Leucadia can bid again.

Sears tumbles after 'worst conditions for 20 years'

By John Thornhill in London

PRE-TAX profits at Sears fell to £4.6m ($8m) from £62.4m as the UK speciality retailing, home shopping and property group confronted the "worst trading conditions in over 20 years".

The effects of the recession accounted for a sharp drop in profitability, but the decline was exacerbated by £20.1m of exceptional costs relating to the disposal of the Horne Brothers menswear business and the imposition of higher value added tax, which was estimated to have cost £7.5m.

Operating profits in the six months to July 31, excluding discontinued businesses, fell to £25m from £49.4m, but the pre-tax figure was dragged further down by £18.2m of exceptional disposal and reorganisation costs, against a £20.6m credit.

Sears, one of the UK's biggest retailers with 4,000 outlets, reported a 4 per cent decline in sales to £994m.

Profits from Sears' retailing chains, which include Olympus sportswear, Wallis and Warehouse womenswear and several footwear outlets, fell sharply to £4.6m from £22m.

British Shoe Corporation, in the process of substantial reorganisation, recorded its first loss, and the Selfridges department store was hit badly by the fall in tourism resulting from the Gulf war.

At the Freemans home shopping business, trading profits grew from £14m to £14.3m. But property profits fell from £5.1m to £800,000 and rental income yielded £5.3m against £8.1m.

Mr Geoffrey Maitland Smith, chairman, said: "Sales patterns are showing us very clearly that the market has bottomed out and that we are now on a level." But he added that he could see little sign of an immediate improvement in consumer spending. Sears hinted that it expected to keep the final dividend.

He added that the strength of the balance sheet would enable Sears to expand by acquisition and he identified continental Europe as an area for such growth.

Lex, Page 16

Dan Air parent seeks £49.3m via share issue

By Jane Fuller in London

DAVIES & Newman Holdings, parent company of Dan Air, the UK independent airline, is almost refloating itself on the London stock market with the issue of 107.5m shares to raise £49.3m ($86.4m).

The group nearly went into liquidation last autumn, and special fees to its banks connected with a stay of execution have amounted to £8.75m.

Mr David James, the company doctor who has run the group since the departure of Mr Frederick Newman as chairman in November, said: "We are re-creating a company without letting it go bust. I can't think of another company with negative net asset value that has been recapitalised at this level."

The number of shares involved in the placing and open offer is more than 15 times the 7m previously in issue, of which the Newman family controlled 62 per cent. If the family does not take up any of its entitlement, its stake will fall to about 4 per cent.

County NatWest Wood Mackenzie, the broker, has conditionally placed the shares at 50p each with 19 institutions, most of which did not previously have holdings in the group. The market price opened at 155p yesterday and closed at 70p, valuing the group at £4.9m.

The £49.3m raised will plug a balance sheet hole. By the end of 1990, net assets had fallen to £15m after a £39m pre-tax loss. An interim loss of £30m had knocked the group into negative net worth. The rescue rebuilds net asset value to £44.4m on a pro forma basis for June 30.

Mr James said debt had peaked at £81m during the Gulf war and was just over £35m yesterday.

Mr Robin Alington Maguire, assistant director of corporate finance at Baring Brothers, the financial adviser, said: "I can remember at least three times when a particular point in the negotiations has had to be solved, or the group would have gone bust there and then."

Details, Page 24

Six-legged Viag runs into spotlight

David Goodhart on a German group losing anonymity by being busy

VIAG has emerged from the shadows. As the third largest of Germany's diversified utilities, behind Veba and RWE, it attracted little attention when the state sold its final 60 per cent share in the company in May 1988.

But the last two years has seen a flurry of acquisition activity which has more than doubled sales and given the company three new legs – glass, fire-proof technology/ceramics and trading services – to add to the three it already had in energy, aluminium and chemicals. Viag is now, by sales, the 11th biggest company in Germany and the 52nd biggest in Europe.

Georg Obermeier: Viag is a 'living organism'

The speed at which this expansion has been undertaken, unusual for a German company, is partly a function of the release from state control, says Mr Georg Obermeier, a director of Viag. "We behaved like a private sector company in many respects but state ownership did hold us back. We had a queue of ideas we wanted to put into practice when we were finally privatised."

Just as striking is the way in which Viag has grown. To outsiders, the company appears to be a muddle of part and cross-shareholdings. But Viag has intentionally limited its holding to just more than 50 per cent in many of the main companies in its six sectors – for example, Didier-Werk in ceramics and Gerresheimer Glas in glass – which have remained independent stock market listed companies.

Mr Obermeier explains: "That has the advantage of reducing our investment burden but, more important, it is a good discipline for the managers. Being answerable to independent shareholders keeps them on their toes."

There are exceptions to this rule. The VAW aluminium company is 100 per cent-owned, although Mr Obermeier says a part disposal is not ruled out. Viag also wants to reduce its 64 per cent holding in Schmalbach-Lubeca, acquired in May following the $800m purchase of Continental Can Europe, part of a large expansion of Viag's packaging interests.

Viag's loose holding structure is rare in Germany, although Metallgesellschaft, the metals, engineering and minerals group, has something similar. Viag expects turnover this year to approach DM25bn ($15bn) while for the medium term the group's sales target is DM30bn. But Mr Obermeier adds: "Of course, it is earnings, not sales, which are our first concern."

Earnings have not risen as fast as sales during the past three years, partly because Viag's largest single acquisition was the trading company Klöckner, which has a low earnings to sales ratio.

This year, weak trading conditions in the US have hit aluminium, chemicals and ceramics. This may temporarily stop the dividend increases that shareholders have become accustomed to, especially in view of the DM8bn investment programme (excluding east German investment) that Viag has planned for the next four years.

Viag's diversification is aimed at countering long-term earnings stagnation in energy, aluminium and bulk chemicals; and the cash generating power of the energy sector has provided the means, especially since provisions have been sharply reduced following Germany's decision not to go ahead with its own nuclear waste reprocessing system.

High value-added metallurgy and high-growth, low-competition packaging are the two target areas for 1991. In metallurgy, Viag recently bought two companies from the Thurn and Taxis private empire, Unidor and Doduco-Edelmetall, with combined sales of DM540m.

To claim packaging as a growth sector might seem curious, given the pressure in Germany from the environmental lobby to reduce packaging, and thus household waste. A law which comes into effect from the end of this year, gives German consumers the right to return all packaging to retailers and shopkeepers the right to return it to manufacturers.

But Mr Obermeier points out that packaging will continue to be needed – it will just have to be more easily recycled to avoid waste. For manufacturers, such as Viag, that use a lot of easily recycled materials such as glass and aluminium, an increased rate of recycling might be good for business.

Viag's diversification strategy has had its problems. Ceramics is a highly competitive sector, so there must be a question mark over the acquisition of the majority stake in Didier-Werk. Mr Obermeier speculates that the stake may be reduced. He is not opposed to divestments in general. "We are a living organism; we must sell things, too."

Viag's share structure is typically German in that it effectively precludes a hostile bid. At least 40 per cent of the company is in friendly hands: indeed, given that some of those hands, such as Bayernwerk, belong in part to Viag it is possible to argue that the company owns itself.

AEG studies sale of cables unit

By Andrew Fisher in Frankfurt

AEG, the loss-making subsidiary of the Daimler-Benz motor and industrial group of Germany, is talking with several companies about the possible sale of its profitable cable-making operation, which last year had a turnover of DM1.9bn ($1.1bn).

The company said it wanted to sell because AEG Kabel, which is mainly active in the domestic telecommunications and electricity cable markets, needed too high a level of investment to make it competitive in Europe after 1992.

AEG declined to say with which companies it was talking, or to confirm reports that the front-runner was a UK concern, possibly BICC. Other big cable companies in Europe include Pirelli of Italy, Germany's Siemens, and Alcatel of France.

Nor would it mention a possible price. AEG has also said it wants to sell or close its loss-making Olympia office equipment division. The AEG Kabel sale will not include AEG's cable products for car electronics, which have a turnover of DM200m. These are being put into a joint operation with Deutsche Aerospace, another Daimler subsidiary.

AEG owns 99.3 per cent of AEG Kabel. The remaining shares have recently traded at up to DM600m, giving a market capitalisation of DM1.1bn. The subsidiary last year earned a net profit of DM59m.

AEG, whose main operations cover electrical components, rail transport, automation, and electronics, expects to make a further operating loss this year.

Brewer expands by buying stake

BINDING-BRAUEREI, the Frankfurt brewer, has bought a stake in Dortmunder Actien-Brauerei (DAB) from privately-held German food group August Oetker, Reuter reports.

The management board chairman at Binding, Mr Klaus Peter Erbrich, said his company aimed to take a majority stake eventually, but there would be no explicit offer for outstanding shares.

Binding said it was using a DM4m ($2.3m) rise in nominal capital to finance the deal.

Binding, one of Germany's leading breweries, has annual sales of 900m litres of beer.

AGF slips as claims rise

ASSURANCES Générales de France (AGF), the second largest state-owned insurer, yesterday reported a slight decline in first-half profits, affected by higher-than-usual car theft claims and pressure on industrial risk premiums, writes William Dawkins in Paris.

Group turnover rose 19.1 per cent from FFr22.7bn ($4bn) in the first half of last year to FFr27.1bn in the six months to June. The underlying gain came down to 10.2, per cent adjusting for acquisitions. Net profits fell 4.5 per cent over the same period, from FFr1.92bn to FFr1.83bn, said the group.

The group's first-half profit was equivalent to two-thirds of the earnings recorded in the whole of last year but it said that the flow of earnings was irregular in the current six months.

AGF Vie, the life division, saw a 15.7 per cent rise in turnover to FFr9bn helped by the popularity of a new retirement policy. However, its profits contribution was unchanged, at nearly FFr1bn.

The group said that AGF Iart, the non-life division, reported turnover of FFr7.8bn. Profits fell to FFr20m because of a rise in claims for car thefts and damage and "inadequate" premiums on industrial risks.

Interim loss at Mondadori

MONDADORI, the Italian publishing group controlled by Mr Silvio Berlusconi's Fininvest concern, reported a L6.3bn ($5m) loss in the first half of this year before extraordinary items and minority interests, writes Haig Simonian in Milan.

However, the company implied that its results should improve in the second half due to a sharp reduction in debt following a restructuring.

The year-long battle for control ended with an agreement in May that Mr Berlusconi would keep Mondadori's magazine and book publishing interests, while Mr Carlo De Benedetti, the Italian industrialist, took La Repubblica, Italy's biggest selling newspaper, L'Espresso, the second most popular weekly news magazine, and a chain of regional newspapers.

Group sales are not directly comparable, but, adjusted for the changes, turnover rose 5 per cent to L716bn.

Both magazine sales and advertising revenue had held up well in the first half Mondadori said. However, turnover in book publishing dropped by almost 9 per cent to L154bn.

The divorce with Mr De Benedetti improved group finances: net debt fell to L97bn at the end of June against L712bn at the end of last year.

Royale Belge up midway

GROUPE Royale Belge, the Brussels-based insurer, yesterday said that, judging from its first-half results, trading profits for 1991 would rise by some 10 per cent against 1990, writes Andrew Hill in Brussels.

Before tax and transfer to reserves, the group realised a profit of BFr3.4bn ($99m). No comparative figures were published, but the company said the first-half figure represented 77 per cent of the total profits for 1990. Trading profits were BFr1.79bn in the first half and net capital gains were BFr1.72bn.

At the parent company, however, interim profits before tax and transfer to reserves slipped to BFr2.69bn from BFr3.76bn, on turnover slightly higher at BFr26.2bn from BFr25.1bn.

Group turnover reached BFr46.2bn in the first six months. Royale Belge said that the simplified structure of its insurance operations – co-ordinating management of its subsidiaries' brokers from the centre – was bearing fruit. The company said it was considering grouping these activities as individual or company insurance.

Since March, some 47 per cent of Royale Belge has been controlled by the French insurance company Union des Assurances de Paris.

INTERNATIONAL COMPANIES AND FINANCE

Bid consortium pledges to float Fairfax group

By Kevin Brown in Sydney

TOURANG, the consortium formed by Mr Kerry Packer and Mr Conrad Black to bid for the Fairfax newspaper group, will be floated within a few years if its bid succeeds, an Australian federal parliamentary committee was told.

Mr Trevor Kennedy, managing director, also said Tourang would comply with a proposed 20 per cent ceiling on foreign ownership of Fairfax if the government confirmed the limit.

Tourang was the first of the three consortia chasing Fairfax to give evidence to a House of Representatives committee inquiring into the ownership and control of the print media.

The inquiry was set up because of fears among MPs that the acquisition of Fairfax by Tourang would intensify the concentration of Australian media ownership.

Tourang is 40 per cent owned by The Daily Telegraph, Mr Black's UK newspaper group, 30 per cent by Consolidated Press Holdings, Mr Packer's privately-owned Australian company, and 30 per cent by Hellman and Friedman, the US investment bank.

However, Mr Kennedy said the foreign shareholdings would be reduced to less than 20 per cent through the inclusion of Australian financial institutions. Mr Packer's stake would also be cut to 15 per cent to comply with media cross-ownership laws.

Consolidated Press is the biggest publisher of magazines in Australia, and also owns a controlling interest in Nine Network Australia, which runs the top-rated television network. Under the Broadcasting Act, the company is barred from owning more than 15 per cent of any significant newspaper group.

Fairfax, which owns the Sydney Morning Herald, The (Melbourne) Age, the Australian Financial Review and other newspapers, is Australia's second biggest newspaper group. It was put up for sale by its bankers in December after failing to meet interest payments on debts incurred during a buy-out of family interests by Mr Warwick Fairfax, who was 29 when the bid was launched.

Mr Kennedy, a former chief executive of Consolidated Press, said Tourang was the only bidder capable of resisting the "ferociously competitive" activities of News Corporation, Mr Rupert Murdoch's media group.

He said Mr Packer would be a "passive" shareholder in Tourang. "associate".

The other consortia will give evidence later. They are Australian Independent Newspapers, the only all-Australian bid, and Australian Provincial Newspapers, led by Mr Tony O'Reilly, the Irish newspaper proprietor and chairman of Heinz.

Safeway doubles quarterly profits

By Nikki Tait in New York

SAFEWAY, the California supermarket chain which was taken private in a $4.2bn leveraged buy-out in 1986, yesterday reported doubled after-tax profits in the 12 weeks to September 7 – but partly due to lower interest costs and extraordinary gains.

The company made an after-tax profit of $40.3m, compared with $20.8m in the same period a year earlier. The 12-week period represents the third quarter of Safeway's financial year, and net income for the first three quarters stands at $102.6m ($59.4m).

However, the picture at the operating level was slightly less impressive. Safeway saw operating profits in the third quarter rise from $127.6m to $136.9m, a gain of 7.3 per cent, while sales increased by 2 per cent to $3.54bn ($3.47bn).

Commenting on the margin improvement, the company said that it was benefiting from investment in new information systems and specialised store departments, together with increased private label sales. Also, declining inflation rates meant that its LIFO charge – the adjustment for inflationary gains of stocks – fell from $8.6m to $2.6m.

However, the bottom-line figure was helped by a fall in interest charges to $82.2m from $91.2m and a $16.9m after-tax gain on the sale of shares by Vons, an unconsolidated affiliate. This was partially offset by a $12.7m loss on the retirement of junior subordinated debentures.

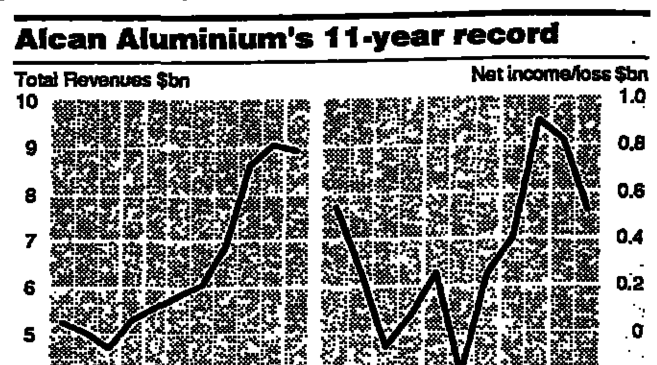
Safeway, which operates more than 1,100 stores in the US and Canada, recently shed its "highly leveraged transaction" status for bank credit. It said yesterday that bank credit facilities have been increased by $200m to $1.4bn, with maturity dates being extended by three years to 1997.

Capital spending in the first three quarters totalled $351.9m, compared with $237.2m in the same period a year earlier, and are expected to exceed $600m for the year overall. More than 30 stores are due to open in 1991, with 90 "remodels".

Alcan faces production crunch as prices hit nadir

Kenneth Gooding looks at pressures to stem output

THE aluminium industry is hurting. Prices of primary aluminium are at their lowest level in real terms, after inflation is taken into account. Analysts estimate that at least 60 per cent of production capacity outside the former eastern bloc countries is operating at a loss. They suggest that producers should have cut back production some time ago to have prevented stocks rising and given prices a chance to stabilise.



Mr David Morton, chairman of Alcan Aluminium, second-biggest of the western producers, says: "The industry in general – and I don't exclude Alcan – will have to look seriously at its operating rate."

Shutting down capacity temporarily in the aluminium industry is not a short-term or cheap process. It is expensive to start up aluminium pot lines once they have cooled.

Mr Morton says Alcan has not turned off capacity. "As a low-cost producer, we are still better off producing than closed down," he says.

The recession has left its scars on Alcan. It reported a net loss of $6m for the first half of this year, compared with a $256m profit in the same months of 1990. Analysts suggest the group will do well to break even this year against a $534m profit in 1990. The dividend has been cut and capital expenditure drastically reduced – by 30 per cent from $1.2m to $850m.

Mr Morton says Alcan has not been thrown off its strategic course even though belts have been tightened and the company has a flexible capital programme. This enabled the company to speed up spending as it benefited from windfall profits in 1988 when aluminium prices soared and net income was nearly $1bn.

Capital spending will probably be reduced again next year, says Mr Morton, but the effect is on the timing of projects and nothing important has been cancelled.

The most important projects are a $255m expansion of cold rolling facilities at Logan Aluminium in Kentucky and the $590m expansion of the Norf rolling mill in Germany, jointly owned with VAW (Vereinigte Aluminium-Werke), the local aluminium group. However, Alcan has run into a serious problem with one strategic scheme – the $1bn Kemano Completion Project, a massive new hydro-electric power scheme near its Kitimat smelter in British Columbia.

Alcan received government permission to go ahead with the project in 1987. Construction was half-completed and expenditure had passed $450m when Canada's federal court in May quashed a judgment by the federal minister of fisheries and oceans which had allowed Alcan to proceed. Alcan has appealed the judgment and stopped all work at Kemano.

During the previous recession, in the mid-1980s, Alcan cut its worldwide workforce from 70,000 to 57,000 and pared annual running costs by $300m. The group has only half as many senior managers as it had at that time. It intends to save $200m this year on annual costs and a similar sum in 1992 and this will inevitably lead to more job losses.

Mr Morton says that it was not because Alcan was excessively flabby previously that the cuts were needed. "But we have at our disposal today control techniques not available even five years ago."

Both Alcan's main North American rivals, Alcoa (Aluminium Company of America) and Reynolds Metals seem to be doing better in adversity: both have remained profitable so far this year.

However, Mr Morton says that his group's performance is no worse than those companies and might even be better. He says Alcan is feeling the effect of this recession more heavily than its competitors because in several countries Alcan operations are geared towards the domestic economies. "This is the first time that our geographic spread has worked against us," Mr Morton says. "In previous recessions, it was a competitive advantage for us because a downturn in one economy was usually offset by a strong economy elsewhere."

Alcan has been particularly hurt by the efforts the Brazilian government has been making to bring its economy under control because the group has focused on the domestic market rather than exports. In 1989, Alcan made a $60m profit in Brazil. In the first half of this year there was a $70m loss.

In future, Alcan hopes to minimise the effect of the cycles by choosing products and markets which are not so badly affected during downturns – for example, supplying aluminium for cans and lithographic materials is less cyclical than supplying car makers or the housing market.

Alcan also wants to move away from its traditional investment policy which typically involved a heavy capital outlay for payback well into the future in favour of "higher returns sooner" investments.

This will take time, says Mr Morton. Five years from now, Alcan will have expanded further in key areas of the world – North America, Europe and the Far East – and introduced more sophisticated technology. "But it will be entirely recognisable." He adds: "But I won't be here. I will just be an interested observer."

UK investor accused of insider dealing by SEC

By Karen Zagor in New York

MR CHRISTOPHER Moran, the controversial British investor expelled from Lloyds in 1982 for discreditable practices, is now being accused of insider trading in the US.

The Securities and Exchange Commission (SEC) has filed a lawsuit in the federal court in Manhattan accusing Mr Moran of insider trading related to his sale of shares in Zondervan, the largest US publisher of Christian books and the second biggest US printer of the Bible, in May 1987.

The SEC alleges that Mr Moran – thought to be Britain's richest man – sold his shares after obtaining confidential information. The US securities watchdog is seeking $462,500 from Mr Moran for his alleged illegal profits and as much as $1.4m in additional damages.

Mr Moran first became embroiled with Zondervan in 1986 when he led a bid of $23.50 a share for the company. The bid was later rejected. Zondervan was later taken private in 1988.

The SEC alleges that Mr Moran sold 100,000 Zondervan shares after learning that Zondervan had not made progress *in its efforts to sell* the company. In May 1987, Mr Moran said he sold some of his Zondervan stock to satisfy borrowing requirements.

Air Holland suspends flights

AIR HOLLAND, the financially-troubled Dutch charter airline, yesterday suspended all flights until further notice. The move follows the airline's request on Monday for protection from its creditors, writes Ronald van de Krol in Amsterdam.

The loss-making airline – the only Dutch charter company in which national carrier *KLM* does not own a substantial stake – had originally hoped to continue operating services while it made a last attempt to put together a rescue plan. However, it later decided to suspend its seven daily flights to prevent its aircraft being seized at foreign airports.

Renison expects price fall

By Kevin Brown

RENISON Goldfields Consolidated, the Australian mining group, said yesterday prices for its mineral sands products would fall this year, and were unlikely to recover until 1993.

An improvement in prices for titaniferous products would not occur until after the main world economies had recovered from recession, the board said in the annual report.

The outlook for tin was clouded because excess stocks were expected to overhang the market for at least 12 months, directors said.

However, the group's tin mine in Tasmania is expected to break even in 1991-92, provided the average tin price is at least 5 per cent above last year's level.

The group has indicated that earnings for the current year are likely to exceed last year's A$36.4m (US$29.1m).

Pepkor to take controlling stake in Tradehold group

By Philip Gawith in Johannesburg

PEPKOR, the South African retail chain, has confirmed speculation that it will be taking a controlling interest in the Tradehold group and its subsidiaries, including the Checkers supermarket chain.

The deal will take place when the unbundling of Tradegro, the subsidiary of Tradehold which owns Checkers, becomes operative on October 11. Pepkor will also buy a "substantial interest" in Cashbuild, a listed chain of 50 building material cash-and-carry stores.

Pepkor's existing activities include control of clothing retailer Pep and Shoprite, a retail food chain. The latest acquisitions will take Pepkor's turnover to the R6bn ($2.1bn) range.

It is unclear how many of Checkers' 170 stores Pepkor will retain. Analysts assume that the unprofitable stores will be sold while those retained will probably be integrated with Shoprite's activities.

Mr Christo Wiese, chairman of Pepkor, said the acquisitions were in line with the company's stated aim to become South Africa's leading retail group in mass market retailing and related activities.

Schering opts for shares buy-back

SCHERING-Plough, a leading US manufacturer of prescription and over-the-counter drugs, yesterday said it would buy back shares through a debt transaction instead of cash, writes Karen Zagor.

The company, of Madison, New Jersey, said Merrill Lynch would buy between 2m and 12m shares of common stock, on the market or in privately-negotiated transactions. In exchange for these shares, the company will issue a package of securities, made up of a zero-coupon debt and warrants, to Merrill Lynch.

Mr Steven Gerber, an analyst at Oppenheimer, said the net effect would be the same as a regular stock buy-back.

Amcor reviews foreign investment plans

AMCOR, the Australian paper and packaging group, yesterday foreshadowed an increase in overseas investment because of the high level of Australian government charges and taxes and the inefficiency of the domestic infrastructure, writes Kevin Brown in Sydney.

Sir Brian Inglis, chairman, said in the annual report that 19 per cent of pre-tax earnings and 30 per cent of sales revenue was earned outside Australia. "These contributions have risen sharply in recent years and we expect further increases," he said.

Sir Brian said there was limited growth potential in the Australian and New Zealand markets. "Regrettably, it is also a fact that in the past few years the investment climate in many overseas countries has been more inviting than in Australia," he said.

Sir Brian said the economic slowdown in Australia provided an opportunity for an understanding with the workforce on the need to reduce costs and increase efficiency.

He said Amcor had made progress in reducing costs, but the business could remain competitive only if there was reasonable incentive for investment and expansion.

Amcor reported a rise of 26 per cent in net equity accounted profits to A$228m (US$182.4m) for the year to June. The group said the current year would be "another good year for Amcor shareholders".

INTERNATIONAL CAPITAL MARKETS

Treasuries hold steady despite optimistic data

By Patrick Harverson in New York and Sara Webb in London

THE US bond market held steady yesterday morning, in spite of broadly bullish news on the economy.

Just after midday, the benchmark 30-year government bond was up just 1/32 at 103 17/32, yielding 7.801 per cent. The two-year note was unchanged at 100¼, carrying a yield of 5.973 per cent.

Prices were unchanged in early trading after the Commerce Department announced that its index of leading economic indicators, after rising 1.2 per cent in August, was unchanged in September, something that had been expected by market analysts.

By mid-morning, however, prices had eased slightly after the National Association of Purchasing Management reported that its index of manufacturing orders, production, employment, supplier deliveries and inventories rose to 55 per cent last month, up from 54.8 per cent in August.

The NAPM confirmed that a steady recovery was underway in the nation's manufacturing plants.

Yet the NAPM figures were not enough to knock the market's confidence for long and prices edged higher on hopes that the Federal Reserve would cut interest rates again, especially if Friday's employment report for September shows a continued deterioration in labour market conditions.

GOVERNMENT BONDS

■ STRONG demand for Dutch government bonds allowed the Dutch Finance Ministry's agency to sell a further Fl2.9bn of its tap issue yesterday and left the bond market slightly higher on the day.

The agency sold Fl1.5bn of the 8.75 per cent 10-year bond on Monday and some traders expect the tap to remain open today, although no indication has been given as to how much the agency wishes to raise in total.

"There is a question mark over how much the Dutch need to raise (through the tap) but it seems they may take the opportunity afforded by a strong market to raise more than they need in order to refinance some short-term debt," said one trader.

There were further reports of switching out of German 10-year government bonds into the Dutch tap issue yesterday. However, the German government bond remained strong early in the day, mainly in response to the US Treasury bond market's strength on Monday.

The Liffe bund futures contract opened at 85.6 and moved up to a high of 85.92 before slipping to 85.88 in the late afternoon, following the slide in the US market yesterday. Traders said there was some selling of bunds on rumours that a new German government bond may be issued soon.

■ THE UK government bond market rose yesterday on news that the Conservative Party has decided not to call a November election. The strong performance of the US Treasury bond market on Monday also helped to lift gilt prices.

Traders said the decision not to hold an autumn election raised hopes that inflation would be kept firmly under control, since the market felt that the government would be under less pressure to lower the base rate. As a result long-dated gilt prices rose with the benchmark 11¾ per cent gilt due 2003/07 reaching 115 1/16 after opening at 114⅞.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	110.8379	+0.398	10.25	10.42	10.65
BELGIUM		9.000	06/01	99.4000	+0.200	9.09	9.19	9.28
CANADA *		9.750	12/01	104.2500	+0.250	9.10	9.26	9.63
DENMARK		9.000	11/00	99.7000	+0.125	9.04	9.10	9.24
FRANCE	BTAN	8.500	11/96	97.7258	-0.154	9.06	9.06	9.14
	OAT	9.500	01/01	104.0900	+0.080	8.82	8.84	8.96
GERMANY		8.750	08/01	102.6500	+0.370	8.34	8.42	8.45
ITALY		12.500	03/01	99.7800	+0.010	12.93	12.87	13.32
JAPAN	No 119	4.800	06/99	92.4712	+0.410	6.25	6.31	6.69
	No 129	6.400	03/00	102.9113	+0.520	5.89	5.99	6.36
NETHERLANDS		8.500	03/01	98.3900	+0.240	8.75	8.79	8.78
SPAIN		11.900	07/96	101.6800	+0.090	11.38	11.29	11.67
UK GILTS		10.000	11/96	101-14	+03/32	9.63	9.65	9.96
		10.000	02/01	102-23	+10/32	9.55	9.57	9.94
		9.000	10/08	97-10	+11/32	9.32	9.32	9.71
US TREASURY *		7.875	08/01	102-29	+02/32	7.45	7.53	7.81
		8.125	08/21	103-17	+01/32	7.82	7.87	8.05

London closing. *New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

DnB to go ahead with capital expansion

By Karen Fossli in Oslo

DEN NORSKE BANK (DnB), Norway's biggest bank, said yesterday it would go ahead with a planned capital expansion next month, despite a fall in its share price.

DnB, whose share price has fallen by nearly 70 per cent this year, plans to increase its capital by up to NKr2bn through a share issue next month.

The bank intends to announce its third-quarter results on October 31. At the half-year mark, DnB's net losses nearly trebled to NKr921m ($141.6m), compared with NKr384m a year earlier.

DnB said it had approved the nomination of Goldman Sachs as adviser to Norsk Hydro, Statoil and Uni Storebrand – three Norwegian companies planning to take part in an underwriting consortium for the planned issue.

On Monday its share price closed at NKr31, but yesterday rose 13 per cent to NKr35 at the close of the Oslo bourse.

Norway's bank industry has suffered continued losses for four years and is finding it difficult to comply with stricter international capital adequacy rules.

The commercial banks' guarantee fund has agreed to provide NKr4.5bn to the three biggest banks, including DnB. But, unlike Christiania Bank and Fokus Bank, DnB says it has no plans to seek a cash injection from a state bank guarantee fund.

The bank also denied it was having problems with international funding. Mr Leif Teksum, who head's DnB's investment banking division, said yesterday the bank was not experiencing problems with international funding, as reported in a domestic business daily on Tuesday.

"We are not paying higher than normal market prices for currency loans", Mr Teksum added.

Japan to tighten securities transactions

JAPAN'S Finance Ministry plans to tighten securities transactions by requiring investment advisers to obtain customers' consent before putting orders through parent securities firms, a ministry official said, Reuter reports.

The measure is aimed at ensuring advisers' independence, a need highlighted by recent scandals involving improper compensation by brokers to favoured clients for investment losses, the ministry official said.

He added it would apply to advisory firms handling discretionary accounts and affiliated to brokers or other financial firms which trade directly in any securities markets.

Many big corporate clients have discretionary accounts at investment advisory firms, but industry sources say the accounts are often administered by the advisers' brokerage parents.

Of 596 licensed advisory firms, 147 are authorised to handle discretionary accounts.

The official said the ministry wanted the stricter ordinance enacted as soon as possible, but has yet to set out details.

He said the ministry was considering whether to tighten other rules on investment advisers or sever the firm's relationships with their broker parents. He added that more measures were needed to ensure adviser independence from parent companies.

Profits slip at Topdanmark

TOPDANMARK, the insurance and financial services group, saw net profits slip from DKr155m ($24.2m) to DKr69m in the first half of 1991, writes Hilary Barnes in Copenhagen.

Full-year profits, however, are expected to be about DKr150m to DKr200m, compared with DKr8m in 1990 when there was a particularly bad second half, the company said yesterday.

Profits by the general insurance division fell from DKr175m to DKr104m, while life assurance earnings increased from DKr4m to DKr20m and finance division profits from DKr48m to DKr51m.

The group has acted to cut costs. The measures are expected to have a favourable impact on the 1992 results, but the full impact will only emerge in 1993.

Gross premiums in the insurance division rose from DKr1.40bn to DKr1.45bn. The balance sheet total increased from DKr32.5bn to DKr34.8bn, but shareholders' funds fell from DKr3.17bn to DKr2.96bn.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on October 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Ontario in fifth return to sector with C$750m deal

By Richard Waters in London

THE CURRENT healthy appetite of international investors for Canadian dollar bonds was yesterday tested to the full by Ontario – and proved itself well up to the task.

The market is now braced for another large issue from a Canadian province, possibly this week.

INTERNATIONAL BONDS

The heavy-borrowing province of Ontario continued the recent spate of Canadian dollar issues with its return to this sector of the international bond markets for the fifth time this year, with a hefty C$750m deal.

The 10-year issue was brought at a comparatively tight 50 basis points over the benchmark Canadian government bond – exactly the same yield spread as Ontario's C$750m five-year issue, lead-managed last month by Merrill Lynch.

The market has seen plenty of paper from Ontario, and some feared its appetite might have been sated.

However, coming after British Gas' tightly-priced 10-year issue at the start of the week, which was brought at a spread of only 26 basis points, Ontario received a healthy reception.

Its existing issues have also done well: the spread on the five-year bonds has narrowed to around 40 basis points, while a 10-year issue earlier in the year has also narrowed around 10 basis points to trade at a spread of 50.

Traders generally reported good demand in Hong Kong and Japan, as well as from institutions in the UK and Germany.

However, the managers were left with some bonds, and there were fears in some quarters that it will take the market some time to digest the issue, forcing other potential issuers to look at shorter maturities.

The issue was trading slightly below the fixed re-offer price of 99.56 later in the day, in line with a slight fall in the government bond market.

National Bank of Canada, the country's sixth largest commercial bank, also took advantage of the enthusiasm for the Canadian dollar with a C$100m five-year issue – later raised to C$150m – by its wholly-owned subsidiary, National Bank Mortgage Corp.

At a yield spread of 77 basis points and a wide syndicate of banks to sell the issue, the bonds found strong demand amongst continental European retail investors, particularly in Benelux countries.

Enthusiasm in the Canadian dollar sector is such that shortage of supply is likely to be a bigger obstacle than lack of demand, traders said. "You could throw anything at this market at the moment and it would stick," one said.

With no swap opportunities, though, only borrowers with Canadian dollar liabilities will be interested, and the provinces currently head the list.

Yesterday, the Canadian dollar was showing a pick-up over the US dollar of around 160 basis points – 10 to 15 basis points less than a couple of months ago, but still a big opportunity for investors willing to believe that the Canadian dollar offers no risk against the US dollar.

Elsewhere, Municipality Finance, the funding arm of the Finnish municipal governments which is triple-A rated by Standard and Poor's, made its expected debut in the Euromarkets with a Ecu240m issue of five-year bonds. Generously priced at 23 basis points over the benchmark five-year Belgium issue and 12 over the comparable Nordic Investment Bank, the issue appeared to find good demand and was trading slightly ahead of its fixed reoffer price of 100.10 later in the day.

The European Investment Bank's A$400m 10-year bond, launched on Monday, was priced yesterday in Australia at 99.493, representing a yield of 8 basis points over the benchmark Commonwealth of Australia bond.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ciba Geigy Corp(b)#†	150	5½	100	1998	2¼/1½	Goldman Sachs
ECUs						
Municipality Finance(a)†	240	9⅛	101.70	1996	1⅞/1.6	Goldman Sachs
CANADIAN DOLLARS						
Province of Ontario(a)†	750	9¾	101.235	2001	2/1.675	ScotiaMcLeod Inc.
National Bk Mortgage Corp(a)†	150	9¾	101.525	1996	1⅞/1.775	Wood Gundy Inc.
D-MARKS						
Inter-American Devt.Bk(a)†	400	8¾	100.92	1993	1/⅝	Deutsche Bank
SWISS FRANCS						
Nippon Concrete Ind.(c)★★♦	50	4¼	100	1995	-	Yamaichi Bk (Switz)
Sanko Sangyo(d)★★§	25	4½	100	1996	-	SBC
AUSTRALIAN DOLLARS						
European Investment Bk(a)†	400	10.33	99.493	2001	⅜/0.15	Hambros Bank

★★Private placement. §Convertible. ♦With equity warrants. #Floating rate note. †Final terms. a) Non-callable. b) Subordinated issue. Exercise premium fixed at 3.4%. c) Callable 17/4/93 at 101¼% declining ¼% semi-annually. d) Put option 30/9/93 at 105⅞% to yield 7.38%. Coupon payable semi-annually.

Spanish regulators act over troubled bank

By Peter Bruce in Madrid

SPAIN'S financial regulators were enjoying a rare chance to flex their muscles in public yesterday after a small private bank went into default in the interbank market late on Monday.

The Bank of Spain stepped in to prevent control of Banco Europeo de Finanzas going to a local broking group after it had failed to cover Pta17bn ($160m) of outstanding debt.

The central bank yesterday placed the affair in the hands of a judge, who will appoint administrators.

Later yesterday, the troubled bank's stockbroking arm, Eurocapital, was taken under the wing of the Spanish securities commission (CNMV), which named three supervisors to its board in an effort to ensure it is able to meet its obligations.

Banco Europeo de Finanzas was founded in 1988 by Mr Alvaro Garcia Lomas, a powerful and well-connected former industrialist.

A number of individuals, keen to take advantage of the rapid modernisation and liberalisation of Spain's financial markets, were able to raise enough money to set up small empires in the late 1980s.

The idea was to specialise in areas of too narrow an interest to the country's large banks, and some, such as the Mercapital group, have been reasonably successful.

In most cases, though, the niches have blurred as the new boutiques chase the same dwindling number of clients in corporate banking, personal banking, mergers and acquisitions and fund management.

Many of the early pioneers have since had to seek fresh capital injections, often from foreign institutions keen to enter the Spanish markets.

Banco Europeo de Finanzas appears to have been an extremely ambitious enterprise, buying into Eurocapital, a bank in Puerto Rico (and subsequently resold) and entering factoring and leasing joint ventures.

It bought large and expensive accommodation in Madrid and was rapidly opening offices around the country. Yet by Monday the bank held just Pta19.9bn in client funds.

Trouble had been brewing for some time. Eurocapital was fined Pta100m last year for falsifying share applications during the flotation in 1989 of Repsol.

Early this year its auditors forced it to revise its Pta14m profits for 1990 down to a Pta40m loss.

The mother bank reported profits of Pta45m last year, down from Pta142m in 1989.

While the effects of the bankruptcy are unlikely to be felt widely, swift action by the Spanish regulators is designed to improve the image of the Spanish financial markets abroad.

Rival brokers were also being generous to Eurocapital yesterday.

Mr Jaime Espinosa, founding partner of Maxwell Espinosa, said that although commissions in the stock market were falling dangerously low, he did not think that the CNMV's action implied any fundamental problems at Eurocapital.

"The market is so tightly regulated here it would be impossible for a broker to go bankrupt," he said.

But the failure of Banco Europeo is bound to lead to new questions about banking licences issued by the Bank of Spain, which has been criticised recently for allegedly not taking sufficient care when processing the Bank of Credit and Commerce International's application in 1983.

A timely arrival in the City of London

Michiyo Nakamoto and Emiko Terazono report on Japan's Norinchukin Bank

NORINCHUKIN Bank, Japan's central bank for agricultural, fisheries and forestry co-operatives, may still be little-known in the UK, but its ample resources means it is well placed to help fill the gap left by the large number of banks that have had to curb activities to get their balance sheets in order.

Earlier this year, Norinchukin celebrated its arrival in the City of London after a six-year wait for a UK banking licence.

The arrival of such a large, well-capitalised bank was welcomed not only by bankers in London but also by the UK authorities because it offered some relief during a period which has seen banking activity shrink in the face of a rash of bad loans and the property market downturn.

At the end of March, the bank had assets of Y35,527bn up from Y35,357bn in 1990. Its consolidated capital adequacy ratio was 8.81 per cent at the end of March, still comfortably above the internationally-required 8 per cent level.

While down from last year's Y21,817bn, its deposits, over 80 per cent of which come from the prefectural credit federations of co-operatives, *amounted to Y20,818bn*. Norinchukin ranks first among Japanese banks in terms of domestic fund procurement through deposits and debentures.

It is also a significant investor in the Japanese securities and government bond markets, with the value of its securities holdings amounting to Y11,580bn, against last year's figure of Y12,569bn, against an average for Japan's 12 city banks of Y3,969.3bn.

Until the recent downgrading by Moody's, Norinchukin was one of only two Japanese banks, and one of only a handful worldwide, to have retained triple-A ratings by Moody's and Standard & Poor's.

The higher interest rate environment in Japan and widespread changes surrounding Japan's primary sector, its main customer base, are the main reasons that prompted Moody's downgrading.

The profitability of the primary sector is no longer guaranteed in the face of growing foreign pressure to open the country's agricultural markets to imports.

The changing domestic environment has meant Norinchukin has had to look increasingly overseas to improve profitability, as well as diversify its investments and improve returns on assets.

But the bank is still regulated by the Norinchukin Bank Law, which has prevented it from over-extending. The law restricts lending by the bank to the primary sector and public and private bodies that contribute to the development of the primary sector.

The timing of its move into London looks astute; in reality it was dictated by factors outside the bank's control.

A representative office was set up in 1985. But, along with a growing number of Japanese regional banks eager to set up shop in London, Norinchukin was prevented from opening a branch until Tokyo extended membership to the Tokyo Stock Exchange to wait-listed UK securities companies.

With hindsight, the political hitch that prevented it from obtaining a UK banking licence was a blessing in disguise. *Norinchukin has emerged* unscathed from the lending spree of the past decade that has left the Japanese city banks nursing some deep wounds.

So far it has been active mainly in syndicated loans to sovereign entities, such as the Bank of Greece. Other borrowers include IMI and Credito Sportivo of Italy and Oko Bank of Finland.

While margins on the whole have widened, the low-risk lending projects Norinchukin is allowed to participate in do not offer the kind of returns it is keen to pursue. And for a bank with the kind of capital strength Norinchukin enjoys, the move into London, while it is still highly regulated, creates an awkward situation.

"We must look like a bank that doesn't take credit risks," said Mr Yoshiyuki Hata, deputy general manager of the London branch.

Japan's Ministry of Finance, while recognising the need to loosen the grip on Norinchukin's investments, still remains tight-lipped about the extent of its plans for deregulating its domestic operations.

With its move into London, where it has had a securities subsidiary since 1987, Norinchukin is following fellow Japanese banks and preparing for the day when it is given greater freedom.

Meanwhile its substantial role in the Euroyen money market is set to grow with its presence in London, which enables it to provide customers with 24-hour trading.

The need to meet the Bank for International Settlements' capital adequacy ratio in the face of falling asset values has led many leading players, not least the Japanese, to curb their money market activities.

The bank has raised its profile on the Eurobond market, adding its name as co-manager or lead manager to several large deals, including the World Bank's Y75bn Euroyen issue last week, for which it acted as one of the lead managers.

In the Euroyen market, where Norinchukin accounted for 13 per cent of the market in 1990, positions amounted to Y2,900bn as of last March. That status is set to grow as positions are almost certain to increase this year, while those of other Japanese banks are falling.

Norinchukin may be regulated and conservative, but it is not lacking in ambition. As it steps into the gap left by Japanese banks in London, it has already set its sights on Asia – where it sees potential for further growth.

"The yen will probably become the major currency of the Asian economic sphere," one official said. "And we would like to become the yen bank for it."

The Export-Import Bank of Japan opened a representative office in Frankfurt yesterday, Reuters reports. The new office will collect and analyse information from governments, private enterprises and financial institutions in Germany and east European nations that would assist in the creation of market-oriented economies in the region.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday October 1 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon Sep 30: Index No.	Fri Sep 27: Index No.	Thu Sep 26: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (182)	862.33	+0.3	9.13	5.61	13.65	29.93	859.60	856.21	855.24	699.53
2	Building Materials (23)	1055.19	+0.4	7.16	5.90	18.37	40.19	1050.71	1061.35	1065.74	899.73
3	Contracting, Construction (31)	1170.42	+0.3	8.23	6.22	16.47	45.06	1167.31	1166.69	1165.50	1054.96
4	Electricals (11)	2675.48	+0.8	8.17	4.94	15.68	72.48	2655.25	2652.02	2651.75	1918.49
5	Electronics (25)	1819.17	+0.3	10.53	5.24	12.01	49.55	1813.79	1795.58	1780.18	1561.70
6	Engineering-Aerospace (8)	376.90	-0.2	16.40	6.65	7.36	16.48	377.60	376.82	381.88	427.51
7	Engineering-General (43)	502.17	+0.7	9.82	5.08	12.57	15.79	498.87	495.72	492.56	369.01
8	Metals and Metal Forming (9)	467.63	-0.3	14.07	7.58	8.64	17.48	469.18	466.44	464.96	401.65
9	Motors (12)	352.80	-1.3	8.46	6.83	15.09	14.65	357.59	355.29	360.72	279.71
10	Other Industrial Materials (20)	1663.15	+0.6	7.63	4.90	15.58	56.55	1652.68	1635.48	1626.95	1182.61
21	CONSUMER GROUP (189)	1568.17	+0.7	7.36	3.57	16.79	31.94	1556.83	1544.24	1543.61	1159.22
22	Brewers and Distillers (22)	1956.39	+0.4	7.92	3.43	15.38	38.33	1947.63	1935.56	1926.83	1415.63
25	Food Manufacturing (19)	1250.55	+1.4	9.07	4.00	13.62	26.32	1232.76	1221.05	1224.01	1001.58
26	Food Retailing (17)	2549.33	+2.2	8.73	3.31	14.98	50.36	2495.05	2475.54	2500.11	2297.43
27	Health and Household (22)	3736.26	+0.8	5.41	2.53	21.19	58.55	3707.85	3667.48	3639.41	2404.88
29	Hotels and Leisure (24)	1343.59	......	8.03	5.24	15.20	37.73	1343.24	1336.97	1340.07	1148.27
30	Media (26)	1555.09	-0.2	6.92	4.56	18.87	43.94	1558.58	1556.02	1559.24	0.00
31	Packaging, Paper & Printing (17)	782.30	+0.4	7.19	4.17	16.89	22.26	779.04	772.27	765.36	480.85
34	Stores (33)	1004.27	+0.4	7.56	3.71	17.23	19.20	1000.30	989.60	996.50	745.26
35	Textiles (9)	632.85	+0.7	7.28	4.91	17.44	15.16	628.50	629.08	631.67	404.96
40	OTHER GROUPS (109)	1323.80	+1.3	9.10	4.90	13.82	35.68	1306.52	1295.68	1297.06	967.92
41	Business Services (12)	1430.32	+0.8	7.60	4.57	16.29	34.95	1419.09	1400.24	1386.35	0.00
42	Chemicals (21)	1494.14	+0.5	6.75	4.84	18.29	48.39	1486.80	1468.22	1457.68	995.06
43	Conglomerates (10)	1553.68	......	9.39	6.77	12.91	38.76	1553.15	1547.50	1553.01	1288.85
44	Transport (13)	2423.57	+0.7	7.04	4.69	17.60	66.37	2405.64	2383.46	2389.82	1791.39
45	Electricity (16)	1273.92	+0.4	13.79	5.11	9.46	27.53	1268.37	1268.72	1277.02	0.00
46	Telephone Networks (4)	1628.21	+3.0	9.21	3.73	14.22	28.34	1581.24	1567.54	1565.28	1055.97
47	Water (10)	2504.01	+2.7	16.31	6.15	6.78	118.37	2439.28	2405.09	2436.65	1954.69
48	Miscellaneous (23)	1943.19	+0.9	5.10	5.06	27.17	69.66	1926.24	1906.01	1915.07	1512.19
49	INDUSTRIAL GROUP (480)	1318.57	+0.8	8.27	4.40	15.06	33.31	1307.53	1297.91	1297.83	989.82
51	Oil & Gas (20)	2449.83	+1.0	10.66	5.67	12.40	92.91	2426.35	2411.06	2406.38	2339.27
59	500 SHARE INDEX (500)	1416.16	+0.9	8.56	4.55	14.68	38.03	1404.10	1393.95	1393.54	1099.87
61	FINANCIAL GROUP (91)	836.28	+0.2	-	5.59	-	30.50	834.52	830.63	830.47	653.49
62	Banks (9)	985.76	+0.4	4.32	5.41	43.39	36.83	981.39	968.81	966.87	691.98
65	Insurance (Life) (7)	1580.89	-0.5	-	5.35	-	62.78	1588.64	1586.78	1580.22	1282.19
66	Insurance (Composite) (6)	629.81	+0.2	-	6.97	-	28.25	628.81	628.81	632.00	563.05
67	Insurance (Brokers) (9)	1159.35	+0.7	7.03	5.85	18.61	42.45	1151.47	1155.15	1155.87	800.86
68	Merchant Banks (7)	483.38	+0.2	-	4.37	-	13.08	482.27	482.48	482.77	328.57
69	Property (36)	969.40	+0.3	5.74	4.82	24.51	23.01	966.06	966.27	967.28	862.14
70	Other Financial (17)	261.04	-0.9	11.00	7.04	11.41	10.84	263.31	268.46	269.85	235.10
71	Investment Trusts (70)	1260.49	+0.5	-	3.42	-	26.66	1254.57	1254.17	1255.31	988.67
99	ALL-SHARE INDEX (661)	1275.62	+0.8	-	4.66	-	35.71	1265.96	1257.47	1257.16	991.56

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 30	Sep 27	Sep 26	Sep 25	Sep 24	Year ago
FT-SE 100 SHARE INDEX♦	2645.6	+23.9	2645.6	2637.6	2621.7	2599.0	2595.6	2597.8	2576.6	2058.5

FIXED INTEREST

	PRICE INDICES	Tue Oct 1	Day's change %	Mon Sep 30	Accrued Interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.29	+0.07	122.43	1.72	9.31
2	5-15 years (27)	136.13	+0.28	135.76	2.18	10.24
3	Over 15 years (9)	144.94	+0.44	144.31	1.22	10.60
4	Irredeemables (6)	162.06	+0.20	161.72	3.44	8.83
5	All stocks (70)	134.09	+0.23	133.87	1.96	10.07
	Index-Linked					
6	Up to 5 years (2)	166.10	-0.03	166.16	0.46	2.72
7	Over 5 years (9)	148.78	-0.03	148.82	0.76	3.42
8	All stocks (11)	150.04	-0.03	150.08	0.71	3.40
9	Debs & Loans (58)	114.75	+0.26	114.45	1.86	8.28

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 1	Mon Sep 30	Year ago (approx.)
	British Government				
1	Low	5 years	8.51	8.52	11.03
2	Coupons	15 years	9.30	9.33	11.03
3	(0%-7¾%)	20 years	9.30	9.33	11.03
4	Medium	5 years	9.59	9.62	12.10
5	Coupons	15 years	9.43	9.48	11.54
6	(8%-10¾%)	20 years	9.39	9.43	11.37
7	High	5 years	9.80	9.83	12.18
8	Coupons	15 years	9.51	9.56	11.80
9	(11%-)	20 years	9.43	9.48	11.66
10	Irredeemables		9.52	9.54	11.13
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.78	3.76	4.42
12	Inflation rate 5%	Over 5 yrs	4.22	4.22	4.35
13	Inflation rate 10%	Up to 5 yrs	3.17	3.15	3.23
14	Inflation rate 10%	Over 5 yrs	4.04	4.04	4.17
15	Debs &	5 years	11.27	11.25	14.16
16	Loans	15 years	11.04	11.03	13.08
17		25 years	10.82	10.85	12.71

♦Opening index 2643.4; 9 am 2644.5; 10 am 2640.6; 11 am 2640.9; Noon 2644.3; 1 pm 2641.8; 2 pm 2640.9; 2.30 pm 2641.5; 3 pm 2638.3; 4.10 pm 2643.1; (a) 4.30pm (b) 3.22pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES: ADDITIONS: Betterware Consumer Products (34), Bimec Industries (48), Fleming Emerging Markets Investment Trust (71), Hi-Tec Sports (29); DELETIONS: Baggeridge Brick (02), Erskine House Group (48), Rutland Trust (70), 600 Group (07); RECLASSIFICATION: Henry Barrett Group (from 07 to 08).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	54	13	16
Corporations, Dominion and Foreign Bonds	5	0	15
Industrials	410	157	932
Financial and Properties	198	78	485
Oils	18	9	62
Plantations	0	3	7
Mines	36	9	109
Others	49	29	55
Totals	770	298	1,681

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
285	Nil	-	79pm	53pm	British Polythene	79pm	+5
160	Nil	-	38½pm	37pm	Hickson International	38pm	
210	Nil	-	11pm	7pm	Hillsdown Hldgs. 10p	7pm	-2
220	Nil	-	49pm	29pm	Ladbroke 10p	31pm	-1
85	Nil	-	13pm	12pm	Record Hldgs. 5p	12pm	
14½	Nil	-	2pm	1½pm	Starmin 5p	1½pm	
200	Nil	-	10pm	10pm	Third Mile Inv. Units	10pm	
45	Nil	-	23pm	20pm	♦Trans World Comms. 10p	23pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Sept. 23
- Last Dealings Oct. 4
- *Last Declarations* Dec. 23
- For settlement Jan. 6

For rate indications see end of London Share Service

Calls in ASDA, Gestetner, Maxwell Comm., Medeva, Natl. Home Loans, Next and Owners Abroad. Puts and calls in First Natl. Finance and Premier Cons.

LONDON TRADED OPTIONS

[illegible]

October 1 Total Contracts 29,607
Calls 18,778 Puts 10,829
FT-SE Index Calls 4,808 Puts 6,046
Euro FT-SE Calls 118 Puts 22
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Eastex rise helps Alexon remain static at £3.8m

By Jane Fuller

ALEXON GROUP, the ladieswear retailer, showed a slight decline in interim pre-tax profit, from £3.85m to £3.82m, in the first set of results since its demerger from Claremont Holdings, the Marks and Spencer supplier.

Turnover in the six months to July 27 was down 2 per cent at £56.1m (£57.2m). Mr Lawrence Snyder, chairman, said the like-for-like sales fall was 6 per cent, causing operating profit to slip to £4.38m (£4.78m).

While the performance had recovered between February and July, August and early September had been poor. "Last weekend was the first good weekend this autumn," he said.

Eastex, the relaunched brand aimed at older, shorter women, was the only operation to increase sales and profit. "And it's going even better now."

Alexon and Dash declined for the first time since 1985 and 1983 respectively.

Cost-cutting in travel, distribution and shop staffing helped maintain gross margins. While competitors had gone for heavy discounting, prices were held and markdowns in the July sales were no greater than usual, he said.

Ms Ruth Henderson, chief executive, said a review had been carried out at Dash, the leisurewear brand which had grown from 20 to 80 outlets over the past three years. This was partly in response to growing competition in the basic tracksuit lines.

Additions to the range included outerwear, such as anoraks, cotton casualwear and a petite collection. The number of shop openings had slowed to 10 a year. Dash Junior had been closed.

Alexon, the original classic ladieswear brand, showed some vulnerability to the recession, especially in the south of England. Six shops were being closed in the US, although the concessions in department stores continued to grow.

The Dash Junior and US closures created extraordinary costs of £1.4m, including post-tax losses of £350,000.

Gearing was expected to rise to between 25 and 30 per cent by the end of the year. The demerger would reduce net assets to between £35m and £40m.

Earnings per share were 7.24p (7.05p). Alexon's interim dividend is 3p, and 3p has also been paid on Claremont.

Barclays de Zoete Wedd, the company's broker, cut its forecast for the full year from £15m to £13.5m. On yesterday's closing price of 440p, the prospective multiple was 16.6 compared with 17.6 for the stores sector.

Since the first day of trading on July 23 this year as separate entities, the combined share price of Alexon and Claremont has gained 83p to a total of 636p.

Claremont falls 9% to £2.83m

MR PETER Wiegand, chairman of Claremont Garments (Holdings), said he hoped the benefits of the July demerger from Alexon would show through in manufacturing for Marks and Spencer and on the acquisition trail, although he had to announce a decline in pre-tax profits, writes Jane Fuller.

"People at Claremont had felt we were always talking about retailing and that manufacturing had become the poor relation."

He also said there were no more worries about conflicts of interest between Alexon, now purely a retailer, and Marks and Spencer, which is virtually Claremont's only customer. The new group was seriously considering two or three possible acquisitions in the M and S supply business.

He was presenting results for the 25 weeks to July 22 – the day before Claremont's shares started trading.

Since closing 7p down at 163p on day one, the price has risen to 196p, including an 8p gain yesterday.

Lower sales to M and S led to a 9 per cent decline in interim pre-tax profits to £2.83m (£3.12m) on turnover of £21.9m (£23.1m). Earnings per share fell to 6.59p (7.03p).

Mr Wiegand was more bullish about sales since the demerger, which had recovered to last year's level. "This reflects a good reaction to our autumn merchandise," he said.

Productivity continued to improve at the Scottish factory, where margins could gain several percentage points. Scope for organic growth lay in the 15 per cent spare capacity across the group.

Gearing was expected to be cut from 49 per cent after the demerger, when it took £5.8m debt, to 35 per cent by December 31, the new year-end.

Barclays de Zoete Wedd, the company's broker, is forecasting an 11-month taxable profit of £6.15m.

Annualised earnings per share of 15.4p give a prospective p/e of 12.7, compared with 14.8 for the textiles sector.

Big Brother, the holding company, and the maze

Philip Coggan explores the labyrinthine complexity of the £18m bid for ASIT

PROBABLY THE most common boast uttered in a schoolboy playground fight is "I'll get my big brother on to you".

Anglo Scandinavian Investment Trust (ASIT) now knows the feeling.

Having narrowly failed in an £8m bid for Lancashire & London Investment Trust (L&L) earlier this year, ASIT was last week on the receiving end of an £18m offer from L&L's larger sibling, Scottish Cities Investment Trust (SCIT).

The SCIT camp dismisses the notion that revenge is a motive for the new bid.

But the earlier ASIT bid may nevertheless have made something like the current offer inevitable.

Both SCIT and L&L are part of the complex web of companies, known as the Finsbury group (see chart), assembled by the late Sir Walter Salomon.

They must have seemed a tempting target for ASIT, which was set up in 1989 specifically to invest in other trusts in need of takeover or reorganisation.

ASIT accordingly started acquiring stakes in the various Finsbury group companies last year.

The Finsbury group was then attempting a round of rationalisation under the guidance of Sir Walter's son and heir, William.

ASIT challenged the reorganisation, asking L&L shareholders "Is Lancashire and London being managed for your benefit or for the benefit of the Salomon family corporate empire?"

That campaign eventually led to the failed bid for L&L, which ended with ASIT owning a 41 per cent stake in the smaller companies specialist. ASIT also owns substantial holdings in both SCIT and Scottish Mercantile, the third investment trust in the Finsbury Group.

But ASIT seems to have forgotten the normal fate of creatures that venture into spiders' webs.

About 55 per cent of its net assets are now managed by Finsbury, and its future seems inextricably tied up with that of the group it attacked.

Mr Michael Reeve, chairman of SCIT, argues that the offer provides ASIT shareholders with a "realistic solution to the impasse in which ASIT has placed itself as a result of its misconceived strategy."

"ASIT has neither achieved the broad spread of investments necessary for a trust of trusts nor has it succeeded as a predator."

Indeed, the Finsbury group sees the bid for ASIT as a means of accelerating the simplification of its structure.

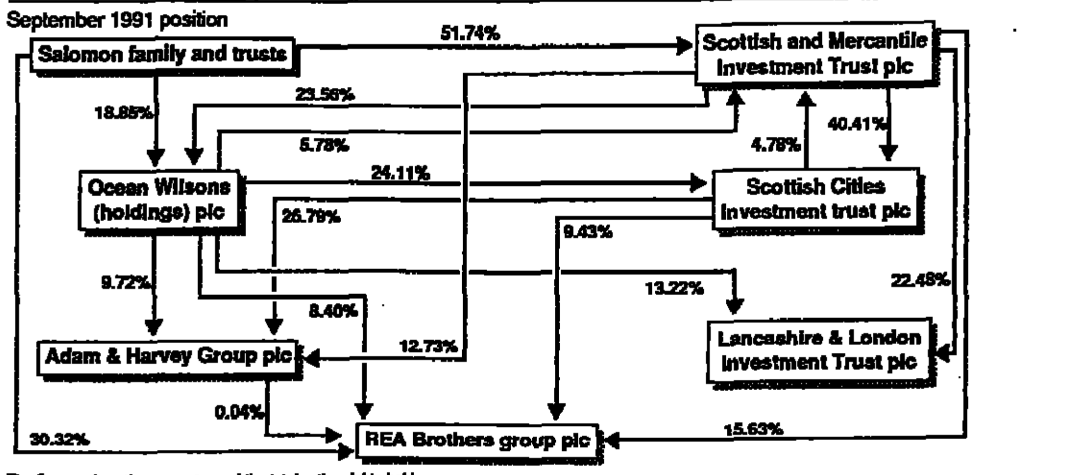
If the bid is successful, it will cancel ASIT's holding in SCIT, and it will place out the holdings in L&L and Scottish Mercantile, thereby increasing liquidity in those trusts' shares.

SCIT will also take the opportunity of tidying up its own share structure, by enfranchising the non-voting holders.

It has been unwilling to do so before now, with ASIT as a potentially hostile holder of the non-voting shares.

Finsbury Group structure

September 1991 position



The figures show the percentage of the total voting rights held

But will the offer succeed?

It does not appear over-generous.

As is the normal case with investment trust bids, it is set with reference to the formula asset value (FAV) – essentially the net asset value, minus the costs of terminating the trust.

But whereas ASIT couched its bid at 100 per cent of L&L's FAV, SCIT is only offering 90.25 per cent of FAV in shares, or 82 per cent of FAV in cash.

The share price of ASIT has actually dropped – from 86p to 84¼p – since the offer was announced.

"The bid is cheeky and I would not advise anyone to accept it" says Mr Lewis Aaron, the investment trust analyst of Barclays de Zoete Wedd.

Nevertheless, SCIT's campaign has started well, with the company buying a stake of 12.2 per cent in the market, and receiving irrevocable acceptances in respect of a further 15 per cent. And the SCIT price has responded well to the news of the bid – partly because of the prospect of enfranchisement of the non-voting shares and the enhancement of net asset value that would occur if the bid were successful.

ASIT's board was meeting yesterday afternoon and was still considering its response to the offer. But it seems unlikely that they will recommend it. The classic response for an investment trust under predatory attack is to find some alternative route of offering shareholders net asset value.

Moreover, a takeover of ASIT may not be that easy. The trust was set up by J S Gadd, the corporate finance group founded by Mr Staffan Gadd, former chief executive of Samuel Montagu and various Scandinavian shareholders. Between them, they retain over 38 per cent of the equity.

Liquidity in ASIT's shares is limited; even in the face of a bid, market makers are only offering to deal in 1,000 shares, worth under £1,000.

If the bid is unsuccessful, the two parties could find that their respective bids have only drawn ASIT further into the Finsbury empire – thereby complicating an already labyrinthine situation. Most schoolboy fights, after all, end not with a knockout but with both parties wrestling on the floor.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Alexon ....int	3	Jan 2	3	-	14.5
Arcolectric ....int	0.53	Nov 11	0.48	-	1.06
Beckman (A) ....fin	3.15	Jan 3	3.15	4.78	4.78
Boosey & Hawkes ....int	5.5	Nov 13	4	-	16.4
Burnfield ....int	1.65†	Nov 14	1.65	-	5.5†
Dolphin Pack ....int	1.7	Nov 14	1.5	-	4.3
Lincat § ....fin	3.3	Nov 6	3.3	5.1	5.1
Magnetic Mat § ....fin	2.1†	Nov 11	2.1	3	3
Ossory Estates ....fin	0.45†	-	0.45	0.85	0.85
Raine Inds ....fin	4	Oct 29	3.75	6	5.75
Sears ....int	1.525*	Dec 9	1.525	-	5.355
Sykes-Pickavant§ ....int	2.25	Nov 25	2.25	-	5.75
Ward Group ....int	1.2	Nov 25	2.4	-	7.2
Watts Blake ....int	2.7	Nov 27	2.7	-	9.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡For 11 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Ash & Lacy, Bank of Scotland, Bluebird Toys, Bostrom, EW Fact, Higgs & Hill, Ipeco, LGW, Lamont, REA.

Finals- Photo-Me Intl.

FUTURE DATES

Interims-

[illegible]	Oct. 10
Chiltern Medical Charity	Oct. 8
Malaysia Mining	Oct. 10
[illegible]	Oct. 15

Finals-

Estates & Agency	Oct. 4

Wyko seeks £4.03m via placing to fund expansion

By Paul Cheeseright, Midlands Correspondent

WYKO GROUP, the West Midlands-based manufacturer and distributor of rotating parts for process plant, yesterday moved both to expand its distribution business via a £3.6m acquisition and to expand its capital base with a share offer to raise £4.03m.

The acquisition of EW Bearings, a division of the Unipart Group, weights its activities more heavily towards distribution. About half of group turnover will now come from UK distribution, instead of a third. EW Bearings' 42 branches, generate annual business of some £18m, a figure broadly the same as that from Wyko's existing network of 29 branches.

The group is proposing to fund the acquisition through an open offer and placing of 9.32m shares at 47p apiece, a discount of 5p on the overnight price. Barclays de Zoete Wedd is underwriting the issue which has been conditionally placed.

Existing shareholders may subscribe on a 2-for-5 basis. Directors will not take up their entitlement thereby diluting their holdings from 55 per cent to about 40 per cent, according to Mr Philip White, chairman.

This dilution is linked to a desire to make the shares more readily tradeable. The group, hitherto quoted on the USM, is seeking a full listing. Mr White said that directors were prepared further to dilute their equity as the group expanded. New acquisitions may be in the offing. "We shall be looking for other opportunities in the marketplace, and not always in distribution," he said.

The balance of funds, after paying for EW Bearings, will be used to strengthen the balance sheet. Mr White expects gearing to be down to 40 per cent by the end of the current year.

Aegis pays £13.7m for minorities

Carat, a wholly-owned subsidiary of Aegis Group, is acquiring 19 percentage points of the outstanding 25 per cent minority in 2010 and the remaining 15 per cent minority in Moins for a total of £13.7m.

The consideration is FFr43m (£4.43m) cash and the issue of about 4.26m Aegis shares at 225p giving a value of FFr91.6m. The shares will be retained by the vendor – Quattro Finance – for a minimum of 12 months.

Mr Bruno Kemoun and Mr Eryck Rebbouh, joint managing directors of Carat France, are majority shareholders in Quattro and Mr Gilbert Bensahel, managing director of Moins, also has a holding.

The 1990 profit of the two companies, both of which, like Carat, are in media planning and buying, was FFr122m with net assets of FFr175m.

Blenheim exhibitions expansion

Blenheim Group is buying Men's and Boy's Wear Exhibitions (MBWE), from its joint owners Reed International and the British Clothing Industry Association, for £7.5m.

Reed will receive £4m cash and the BCIA will receive a £3.5m Blenheim loan note.

MBWE organises the annual International Men's and Boy's Wear Exhibition.

Magnetic Materials warns of interim loss after 58% fall

By Peggy Hollinger

MAGNETIC Materials Group, the USM-quoted company which recently fought off a hostile £9.9m bid from TT, the industrial holding company, yesterday reported a 58 per cent drop in annual pre-tax profits and warned that an operating loss was possible in the first half of this year.

Taxable profits tumbled from £1.5m to £632,000 on turnover down £2.1m to £15.1m for the year to June 30. Mr George Doust, chairman, said the results were in line with forecasts made by MMG during the takeover battle.

The dividend is maintained at 2.1p, making a total of 3p. Dividend payments and an extraordinary charge of £430,000 – the costs of beating off TT's bid – resulted in a retained loss of £568,000.

Mr Brian Morris, appointed chief executive in July after the TT bid lapsed, said the group had suffered a larger than expected sales decline in the UK and US, its two main markets.

He added: "July to September have been the worst months we have ever seen on both sides of the Atlantic . . . If this continues into October and December we may well post a loss." Gross margins fell by 15 per cent throughout the group.

During the bid, MMG had said it would raise £3m from property sales. However, the deteriorating property market in the US, Australia and the UK meant that MMG expected to raise just £1.35m within the next 12 months. The company was also planning to shed peripheral businesses and talks were under way on possible sales.

Earnings per share fell in line with profits to 2.3p, compared with 5.7p.

TT continues to build up its holding in MMG and now claims 39.99 per cent. Some 41 per cent is held by Mr Eduard Michaelis, the 90-year-old founder and former director, and his family.

Music publishing side buoys Boosey

By Michiyo Nakamoto

BUOYANT DEMAND for published music and a favourable exchange rate prompted a 25 per cent rise, from £1.04m to £1.3m, in interim pre-tax profits at Boosey & Hawkes, music publisher and instrument maker.

Mr Richard Holland, chief executive, said that half the rise was attributable to strong sales growth in the publishing division and the other half to favourable exchange rates.

The shares rose 40p to 830p on the news. They have nearly doubled since this year's low of 425p on January 18. There is a very tight market with three shareholders controlling 70 to 75 per cent, so they were vulnerable to strong swings. Mr Holland said he was not aware of any other reason why they have risen so strongly.

The improved outcome reflected the strength of the publishing division, which produces sheet music and earns royalties from published music and which so far has not been affected by the recession.

Sheet music sales and royalties continued to grow by more than the rate of inflation. Royalties were lifted by demand from the recording industry, supported by the popularity of compact discs.

The instruments division, however, did not escape the depressing effects of the Gulf war and economic downturn and sales were flat, Mr Holland said. Nevertheless, the strong dollar and yen worked in the group's favour as it manufactures its instruments in Europe and sells a substantial proportion overseas.

Overall turnover was £24.5m (£23.3m) and earnings per share rose by 27 per cent to 16.5p (13p). The interim dividend is 5.5p (4p).

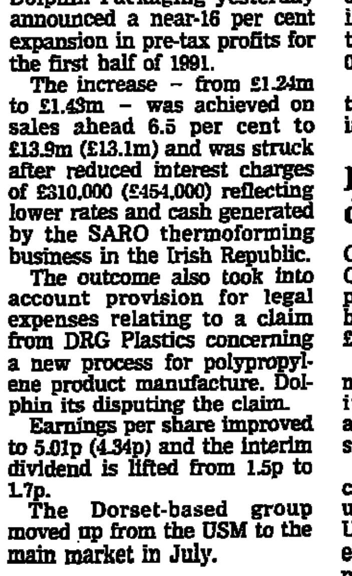
The first part of the year had been "tougher than we have had in the last two or three years," Mr Holland commented, but "it is not an alarming position." Publishing royalties could be expected to see continued growth in the second half, he added.

NEWS DIGEST

Losses soar to £5.67m at Stylo

THE RECESSION, poor summer weather and the increase in the rate of value added tax were all blamed for sharply increased losses at Stylo, the footwear and leather retailing group, in the half year to August 3.

The pre-tax deficit amounted to £5.67m (£231,000) after interest charges of £2.26m (£1.09m).



Arnold Ziff: no sign of end to recession in high street

Turnover – up from £37.4m to £41.1m – was "very disappointing" according to Mr Arnold Ziff, chairman. "The government tells us recession is ending but we see no signs of this in the high street," he said.

There was a late start to the summer, causing heavy writedowns which affected margins. Increased costs of rent, rates and service charges cost more than £2m.

The increase in VAT had meant a "vast falling off" in demand for footwear. The increase could not immediately be passed on to customers so had to be absorbed.

Staff numbers were reduced by 160 over the period, representing about 5 per cent of the workforce.

Losses per share were 29.63p (1.16p).

Dolphin Packaging leaps 16% to £1.4m

Dolphin Packaging yesterday announced a near-16 per cent increase in pre-tax profits for the first half of 1991.

The increase – from £1.24m to £1.43m – was achieved on sales ahead 6.5 per cent to £13.9m (£13.1m) and was struck after reduced interest charges of £310,000 (£464,000) reflecting lower rates and cash generated by the SARO thermoforming business in the Irish Republic.

The outcome also took into account provision for legal expenses relating to a claim from DRG Plastics concerning a new process for polypropylene product manufacture. Dolphin its disputing the claim.

Earnings per share improved to 5.01p (4.34p) and the interim dividend is lifted from 1.5p to 1.7p.

The Dorset-based group moved up from the USM to the main market in July.

Ossory Estates sees property upturn

Ossory Estates, the property investor and developer, reported a fall in net asset value to 15.9p per share at June 30, against 27p a year earlier.

Following a revaluation, investment properties were marked down by £9.3m leaving shareholders' funds at £72m.

The company also noted that its share price, which closed at 10p yesterday, had fallen below the 11p at which it raised £21.7m in a placing and open offer in March.

However Mr John Walker, chairman, said that he believed this to be temporary as there were signs of a recovery in the property market.

In the year to end-June taxable profits were almost static at £7.15m (£7.22m) including profit on sale of investment properties and subsidiaries of £5.26m (£55,000 loss). Turnover was £13.8m (£39m).

Earnings per share were 1.05p (1.5p). As forecast at the time of the placing an unchanged final dividend of 0.45p is proposed on the increased capital, making the total for the year a maintained 0.85p.

The board is also proposing to consolidate the 5p shares into 25p shares.

Lincat at £0.7m in difficult year

Continuing problems at its Corsair offshoot left taxable profits at Lincat Group almost halved at £708,000, against £1.38m, in the year to June 30.

Mr Martin Craddock, chairman, said that he could see no improvement next year although losses at Corsair should fall.

He added that in a very difficult year three of the four manufacturing companies in this USM-quoted maker of catering equipment had been able to maintain combined turnover and increase gross margins. Group gearing had also been reduced.

Turnover was £11.5m (£12.4m) and interest charges rose to £419,000 (£285,000). Earnings per share were 8p (13.9p) and an unchanged final dividend of 3.3p is recommended for a maintained total of 5.1p.

Increased losses at British Thornton

British Thornton Holdings, the USM-quoted manufacturer and distributor of educational and scientific furniture, announced increased losses for the year to April 30.

At the pre-tax level the deficit grew from £908,000 to £1.04m. Turnover fell from £1.79m to £733,000. Losses per share were 17.6p against 28p.

The group also announced two acquisitions for a maximum £7.15m cash. The consideration will be satisfied by a 7-for-5 underwritten rights issue at 10p per share to raise £2.57m before expenses, and an underwritten vendor placing at the same price to raise £4.45m.

The purchases are Farthingbank Holdings, whose business is complementary to that of British Thornton, and Masterpack, which operates in an established contract packaging and distribution market.

The company has applied for admission to the main market. Dealings on the USM have been suspended at 15p pending approval of the proposals.

CEI sells offshoot to management for £2m

A management buy-out of its Cathodeon business of specialised scientific light sources for use in analytical instruments has been arranged by Cambridge Electronic Industries for about £2m.

The management team, headed by Mr Trevor Thrower, Cathodeon's managing director, have negotiated finance for the deal with 3i, the investment capital group.

Interest rise leaves Beckman at £1.01m

An increase in net interest payable was the main reason behind a £341,000 fall in A Beckman's taxable profits to £1.1m in the year to end-June. Turnover fell from £14.4m to £12.8m.

In spite of the difficult trading conditions the textiles side managed to increase operating profits to £455,000. In property whereas income growth continued the absence of trading profits left the operating figure at £1.04m (£1.13m).

Interest charges were £438,000, against £151,000. Directors said they had discontinued the practice of capitalising interest relating to trading properties and this would be now taken in the profit and loss account. If this had been done last year pre-tax profits would have been £49,000 lower.

Earnings per share came out at 6.4p (8.4p) and with a final proposed dividend unchanged at 3.15p the total is a same-again 4.78p.

Poor first quarter hits Arcolectric

Production problems in the first quarter resulted in a sharp decline in taxable profits at Arcolectric (Holdings), the Surrey-based electric switch and neon signal lamp manufacturer.

On sales marginally ahead to £5.52m (£5.49m), profits for the half year to end-June amounted to £163,962 against £371,125 in the comparable six months.

The group's order book is no longer full, but directors said that sales were satisfactory.

The interim dividend goes up from 0.48p to 0.53p, payable from earnings of 1.72p (3.61p).

MONTHLY AVERAGES OF STOCK INDICES

	September	August	July	June
Financial Times				
Government Securities	87.16	85.64	84.72	84.74
Fixed Interest	96.23	94.57	93.82	93.03
Ordinary	2053.9	2027.3	1953.2	1951.7
Gold Mines	158.9	173.4	206.8	197.6
SEAQ Bargains(4.45pm)	29,651	28,389	27,691	25,623
F.T.-Actuaries				
Industrial Group	1307.39	1279.77	1240.52	1232.77
500 Share	1404.24	1379.99	1342.46	1330.25
Financial Group	835.80	824.49	788.08	785.09
All-Share	1266.20	1244.33	1208.52	1198.76
FT-SE 100	2622.2	2600.5	2530.1	2495.1
FT-SE Eurotrack 100	1115.00	1108.77	1107.24	1143.22

	Highest Sept. close	Lowest Sept. close
Ordinary	2108.3 (2nd)	2007.1 (18th)
All-Share	1284.07 (6th)	1249.20 (24th)
FT-SE 100	2679.6 (2nd)	2576.6 (24th)
FT-SE Eurotrack 100	1128.91 (3rd)	1100.47 (30th)

Prudence over land prices helps Raine to limit fall

By Andrew Taylor, Construction Correspondent

RAINE INDUSTRIES, the housebuilder, contractor and interior designer, restricted its pre-tax profits decline to 26 per cent at £20.3m during the 12 months to end-June.

Much worse profit falls have been reported by construction companies during the current results season and the group's share price yesterday rose 8p to 145p.

Turnover fell by 12 per cent from just under £400m to £352m. Following a proposed final dividend of 4p, the total of 6p (5.75p) is 1.7 times covered by earnings of 10.5p (14p).

The group builds most of its houses in the Midlands and the north of England which have generally performed better than the depressed markets of southern and eastern England.

Housing profits fell by 27 per cent to £10.2m as the number of homes sold fell 9 per cent.

One of the group's strengths during the recession has been the low average price, of £10,000 a plot, which it had paid for land. This has enabled it to avoid making large provisions and maintain margins better than housebuilders which had bought land expensively during the late 1980s.

It has also been helped by a strong balance sheet which boasted net cash of £16.3m at end-June compared with £2.55m last year. Net interest receivable of £1.7m compared with £679,000 in 1989-90.

Contracting and property profits fell by some 23 per cent to £7.29m. This masked a strong performance by contracting where margins improved from 3.4 per cent to 4.9 per cent. Property, however, made a loss after provisions of £2.3m.

Plumb Group, the interior design and contracting subsidiary, increased profits from £2.98m to £3.52m. A strong performance by Osta, Plumb's 70 per cent-owned subsidiary, offset a difficult UK market.

● COMMENT

Raine foresaw the recession in the housing and construction sector earlier than most of its rivals. It was quick to batten down the hatches by restricting land purchases and cutting back on stocks and work in progress and is now reaping the benefits. Contracting is likely to see a slight decline next year but housebuilding and interior contracting, which is biased towards retailing, should be among the first sectors to benefit from a recovery in consumer demand. The question is whether this recovery will come in time to help Raine which has a June year end. If a pick up is delayed, profits are likely to be about £22m but could easily rise as high as £24m. The latter figure would put the group on a prospective p/e of just over 11. This still looks cheap even though the share price has doubled in the past 12 months.

SHOW OF FORCE: Loyal shareholders had no hesitation showing their cards in favour of Molins, the tobacco machinery group battling attempts by US conglomerate Leucadia to gain control. Among those at yesterday's meeting in Glazier's Hall, London was a delegation of about 20 long-time employees of the company. "Things have been tough in the last few years," said one man who had been with Molins for 35 years. "But it is just starting to go right. It would be a shame if Molins lost." However, one employee's dedication began to wear a bit thin after two-and-a-half hours of waiting for the result of the vote. "For this I gave up golf," he said ruefully.

Institutions told to bid high to get their BT share allocation

By Hugo Dixon and Roland Rudd

INSTITUTIONAL investors will be encouraged to bid high for shares in the forthcoming BT sale in order to maximise their allocation, the government's flotation advisers said yesterday.

Once all the bids are in, the government will fix one price for the sale of shares to the institutions but those which offered to pay the highest prices will be rewarded with the most shares.

This new approach to privatisations was revealed yesterday by SG Warburg, the government's lead adviser, as a means of boosting the total proceeds from the BT sale, scheduled for December.

With the the government indicating that there would be no general election this year, the main uncertainty surrounding the sale of half of its 47.6 per cent BT shareholding, worth about £5bn, has been removed.

The structure of the offer, expected to be split evenly between the UK public and institutional investors worldwide, is designed to protect the government from the embarrassment of selling the shares too cheaply.

It is also intended to avoid the problem of the sale being a flop by guaranteeing retail investors a built-in discount to the price paid by the institutions.

Investors will pay for the shares in three instalments.

The price of the first for retail investors will be fixed in mid-November when the pathfinder prospectus is published.

The institutions' first instalment will be fixed at a higher figure about a week later, at the end of November, on what will be known as "Discount Day".

The offer will close in early December followed by the start of dealing.

The second instalment will be the same for both types of investor and fixed at the time of the pathfinder prospectus.

However, the third instalment will be fixed by the price that institutions will be tendering, and will be the same for all investors.

This means that the retail investors will not know how much they are paying in total until after they have committed themselves to buying the shares.

In order to avoid a dramatic fall in the market, as in the case of the sale of British Petroleum shares in 1987, tender bids by institutions will only be made firm near the day dealings commence.

What they will know, however, is that the first instalment price will be at a discount, expected to be about 5 per cent to the institutional first instalment, irrespective of what might happen in the market.

Retail investors will be offered incentives to be long-term holders of the shares.

Watts Blake Bearne down 22%

By Andrew Taylor

PRE-TAX PROFITS of Watts Blake Bearne, the world's largest supplier of ball clay, fell by 22 per cent to £3.5m during the six months to end-June.

Ball clay is used to manufacture sanitary ware, ceramic tiles and tableware.

Sales are heavily dependent on new construction and building repair and refurbishment.

Mr John Pike, managing director, said turnover had risen by 8.6 per cent from £28.9m to £31.4m despite difficult trading conditions.

The group was able to offset falling demand for building ceramics by increasing market share in continental Europe. This accounted for two thirds of turnover during the first half.

Exports to Turkey and Africa had also increased.

The UK – where the construction recession had been deepest – now accounted for less than 15 per cent of group turnover, said Mr Pike.

Margins had not been helped by adverse winter weather in Europe during the first few months of the year. This had caused production loss and increased external costs.

The group's resilience in difficult market conditions had been assisted by a strong balance sheet with gearing at just 22 per cent at the end of June.

A maintained interim dividend of 2.7p is covered 4.3 times by earnings per share down from 14.9p to 11.6p.

Scottish Equitable launches joint venture in Germany

By John Authers

SCOTTISH EQUITABLE, the mutual life assurance company, has agreed to launch a joint venture in Germany with Württembergische, a quoted German insurance company with a market capitalisation of about £800m.

The two companies hope to take advantage of changes in the German market for life assurance and pensions which are anticipated in the next few years.

Currently unit-linked pensions, based on equity investment, have an almost negligible share of the German market – less than 1 per cent. Pensions instead tend to be based on fixed interest deposits and bonds.

In the UK more than 40 per cent of life assurance policies and pensions are unit-linked. These products usually provide significantly stronger investment performance in the long term, although they offer consumers slightly less security, and so the potential market should be substantial.

Attempts by British companies to expand into German financial services should also be helped by deregulation at the end of next year, which would bring Germany more closely into line with other European countries.

Württembergische, based in Stuttgart, Baden-Württemberg, but lost a substantial share of its business which it now hopes to recapture, with the partition of Germany.

The German insurance industry tends to be regionally based, and the companies hope that Württembergische will be well-placed to expand in the old East Germany.

Mr Paul Grace, managing director of Scottish Equitable's international division, admits that this is a long-term venture, which will be slowed down by the current German regulatory environment.

He estimated that the new venture, which already exists as a shell company, would take about two years to become fully operational.

Mr David Berridge, chief executive, said that the project was part of a gradual process of expansion.

He added that he saw no prospect that the company would shed its mutual status, under which it is owned by its policyholders, rather than by shareholders.

The announcement last week that Scottish Mutual was to be bought by Abbey National and abandon its mutual status had led to press speculation that many mutual insurance groups will follow the same route.

Mr Berridge said he also expected the German sector for independent financial advice to expand very rapidly. Fears for the UK's IFA sector, after the National Westminster Bank renounced its independent status, had also been exaggerated, he said.

Littlewoods studies bids for mail order arm

By John Thornhill

LITTLEWOODS, the privately-owned retailing group, was still considering three bids for its mail order division but would not sell the business for a "silly" price, Mr Desmond Pitcher, chief executive, said yesterday.

Kleinwort Benson, the merchant bank, has been seeking a buyer for the business since May but is believed to have encountered some resistance over the price.

Quelle, the German retailer, has expressed interest in buying the division and is still interested in doing so.

Kingfisher, the UK retailing group, has also been tipped as a possible buyer.

Speaking at a press conference to announce the opening of two Littlewoods stores in St Petersburg, Mr Pitcher dismissed suggestions that the company was selling the mail order business to distribute the proceeds to the Moores family, who are the group's owners.

He said Littlewoods intended to re-invest to expand its other high street formats, such as the Littlewoods stores and its Index range of catalogue shops, both in the UK and in the Soviet Union.

Littlewoods this week agreed to buy back the Home Delivery Service for its mail order subsidiary from Federal Express of the US. But although this will dispel any worries a potential buyer might have over distribution arrangements it is unlikely to affect the price.

Correction
Vivat Holdings

Vivat Holdings turnover for the half year to June 30 1990 was £56.15m and earnings per share were 2.6p, not £103.71m and 8.3p – the full-1990 figures – reported in yesterday's edition.

Ward tumbles into red with £3.48m loss

By Roland Rudd

WARD GROUP, the steel and building components combine, yesterday reported a turnround from a pre-tax profit of £5.28m to losses of £3.48m for the first half of 1991.

Mr Nigel Forsyth, chairman and chief executive, said the recession had badly affected the construction industry where confidence and activity levels were at an all-time low.

The pre-tax loss was £2.5m before exceptional charges of £976,000 from bad debts and redundancy costs in companies other than those being closed.

A restructuring programme, involving the closure of four companies where there is no realistic opportunity of profit in the near future, was responsible for a £4.66m extraordinary charge.

Losses per share were 9.9p compared with earnings of 13.9p. The interim dividend is halved to 1.2p.

Mr Forsyth said all but essential capital expenditure had been deferred and existing stringent cash conservation measures have been reinforced.

Turnover fell from £95.9m to £70.7m. Non-UK sales account for 48 per cent of the total.

In contrast to the UK, the continental European construction industry has continued to show modest growth.

However, Chamebel, Ward's Belgian curtain walling company, incurred a significant loss because of reduced volumes due to a lower than anticipated order intake and delays on several projects.

Stay of execution as Dan Air refloats

By Jane Fuller

EVEN BEFORE the Gulf war drained a further £14m out of Dan Air, Davies & Newman's subsidiary, the group had to stave off bankruptcy by negotiating a doubling of its borrowing facilities.

Mr David James, chairman, said liquidation would have led to full repayment of secured creditors, including the banks, "but probably no payment for shareholders".

To pay for the banks' additional exposure, the extension of deadlines and the increased facilities from Lloyds, special fees amounted to £8.75m.

"They originally asked for £21m," he said. Under the renegotiated fee, the effective rate of interest over the past year was 31 per cent, "which is by no means out of line with a company doing a mezzanine deal. The banks were acting like venture capitalists."

A plan to convert the bank's fees into equity, giving them a 7-8 per cent stake, had also been dropped.

The group's problems were eased by the sale of its aircraft engineering division for £27.5m, the closure of unprofitable routes and internal financial reforms. Mr James said: "It had the most out-of-control cash position I have seen.

It did, however, also have considerable strengths, notably its position at Gatwick, the world's fourth largest airport, where it had 18 per cent of the slots. "It is Europe's 12th biggest airline, larger than some countries' flag carriers."

The switch of emphasis from charter to scheduled flights was paying off. The Elite business service carried 92,000 passengers in the first seven months of 1991, compared with 51,000 in the same period last year.

The number of charter aircraft was being reduced from 32 to 15, while those in scheduled service were rising from four to 19. Leasing new aircraft would cut the average age of the fleet from 14.5 to 5.4 years by 1995.

Mr James's table of profit projections showed flat sales of £382m in 1992, but a bounce back to pre-tax profit of £20m, rising to £42m in 1995. This would give earnings per share of about 12p next year, a prospective p/e of just over 4 on the placing price.

This does, however, represent a dramatic turnround from this year's expected pre-tax loss of £35m. Mr Ian Wild, transport analyst at Barclays de Zoete Wedd, said that while there was no doubt about growth potential in the scheduled market, there was a question over the forecast fare increases.

However, the downside did not look bad for Davies's new investors. The group's survival seemed assured until 1993 when the single European market could stimulate interest in its precious Gatwick slots, even if the business plan had not worked out.

Burnfield reverses into the red

By Roland Rudd

BURNFIELD, the specialist heating group, yesterday reported a pre-tax loss of £281,000 for the six months to end-June, compared to profits of £651,000 during the comparable period to July 31 1990.

The loss, incurred on turnover down from £8.61m to £8.16m, came after exceptional costs of £795,000 incurred as a result of management changes at Isopad in Germany and France. Operating profits were 15 per cent higher at £582,000.

The group, formerly Isopad International, has been undergoing a significant reorganisation since Mr Brain McGowan became non-executive chairman last year.

Mr McGowan, who is also chief executive of Williams Holdings, the industrial conglomerate, installed new management into the group.

Since then operating costs have been reduced by 21 per cent and seven factories have been closed and consolidated into two integrated facilities, in Weston in the UK and Heidelberg in Germany.

Budenberg, a manufacturer of pressure gauges and testing equipment, acquired by the group in June, has also been undergoing a management reorganisation.

Fully diluted losses per share of 1p compared with earnings of 3.1p. The interim dividend is again 1.65p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 02.10.91: Pool purchase price £/MWh	Final Prices for Trading on 04.09.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.86	16.11	16.11
0100	15.85	16.10	16.10
0130	15.87	16.10	16.10
0200	15.85	16.10	16.10
0230	15.87	16.10	16.10
0300	15.86	16.10	16.10
0330	15.85	16.10	16.10
0400	15.85	16.10	16.10
0430	15.85	16.10	16.10
0500	15.85	16.10	16.10
0530	15.85	16.19	16.19
0600	15.86	16.25	16.25
0630	16.09	16.32	16.32
0700	17.39	19.08	22.42
0730	19.03	20.61	24.01
0800	37.89	25.88	29.13
0830	44.68	25.84	29.52
0900	62.08	26.35	30.16
0930	66.03	26.82	30.77
1000	66.53	26.96	30.94
1030	62.29	26.99	30.99
1100	59.52	27.08	31.10
1130	59.61	27.51	31.67
1200	61.02	27.84	32.08
1230	54.81	27.37	31.44
1300	45.30	27.73	27.73
1330	35.23	19.23	19.23
1400	24.09	23.86	23.86
1430	22.80	23.90	23.90
1500	22.24	23.89	23.89
1530	22.82	26.83	30.30
1600	28.71	20.83	30.53
1630	44.90	27.13	30.79
1700	53.09	27.16	30.82
1730	50.01	25.88	29.26
1800	39.17	23.80	23.80
1830	24.66	17.58	17.58
1900	37.93	17.67	17.67
1930	40.56	17.57	17.67
2000	43.72	23.71	23.71
2030	36.26	26.66	30.18
2100	24.31	20.09	30.18
2130	20.74	22.44	25.89
2200	18.87	19.73	23.09
2230	17.75	19.73	23.08
2300	17.36	19.28	22.63
2330	16.28	18.87	22.22
2400	15.02	18.78	22.13

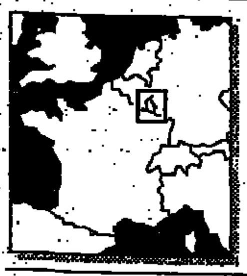
Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

FINANCIAL TIMES SURVEY

LUXEMBOURG: INDUSTRY AND INVESTMENT

Wednesday October 2 1991



In a harmonised EC, Luxembourg will have to work hard if it does not want to stagnate as both the smallest and wealthiest member state. It would be a real coup if the Grand Duchy managed to develop a unique attraction to investors in an enlarged EC, **Andrew Hill** writes

Seeking fresh investments

LUXEMBOURG would be a good place to start a coup d' etat of the future United States of Europe.

Grabbing the Grand Duchy would not only give a would-be junta a commanding geographical position, but also control of more than 180 banks, nearly 50 radio and television channels and even a growing merchant shipping fleet. The restaurants are pretty good too.

This is not exactly what Luxembourgers mean when they say they want to attract more outside investment to their tiny country. But it is an indication of the success and diversity which the Grand Duchy has achieved over the past 20 years in its attempt to woo foreign capital into its 2,600 square kilometres of territory.

Now, however, Luxembourg citizens are acutely conscious of the fact that as borders come down across Europe, the Grand Duchy may be losing its uniqueness. In a harmonised European Community Luxembourg will have to work increasingly hard if it does not want to stagnate as the EC's smallest and wealthiest member state.

The Grand Duchy's economic diversification policy – started in the 1970s to wean the country away from dependence on steel manufacturing – has become a showpiece, and the government is not afraid to display it. The economy ministry's latest digest of the Luxembourg economy, for example, devotes a whole page to last year's laudatory OECD (Organisation for Economic Co-operation and Development) summary of the country's "remarkable" macro-economic performance.

The picture this year is not perfect – a slower performance by the still-important steel industry in the first quarter of 1991 is dragging down the country's industrial production figures, for example – but in general, Luxembourg's statistics look good. They indicate continued budget surpluses (this year's will be the eighth in succession) and growth in GDP. Industrial investment is still increasing – it should exceed LFr18bn ($522m) this year, against LFr13bn in 1987 – public debt remains low, and unemployment negligible.

With the economy under control at home, the government has been looking to make an international mark. Ministers did their best to assert Luxembourg's position within the European Community in the first six months of this year, when the Grand Duchy held the rotating EC presidency. But although Luxembourg started with high hopes that its summit in June would prove decisive in treaty negotiations for economic and political union, the Luxembourgers finally had to hand the continuing debate on to the Dutch.

The government's determination to achieve something on the European stage – even at some domestic cost – was demonstrated by its push towards agreement on the harmonisation of value added and excise tax rates. Forging the compromise meant Luxembourg had to commit itself to increase its historically low indirect taxes. But as part of what the prime minister Mr Jacques Santer called "la grande chance" presented by the presidency this was a price worth paying.

A week after the Luxembourgers gave up the presidency, the Grand Duchy was again thrust into the international limelight, this time in a less flattering role – as home to the Bank of Credit and Commerce International, shut down amid allegations of massive fraud.

BCCI was registered, supervised and, ultimately closed down by the country's nearest equivalent to a central bank, the Institut Monetaire Luxembourgeois (IML). Although the attention of angry depositors focused on the UK – where BCCI had most of its operations – the IML also faced criticism for its consciously liberal regulatory approach to the Grand Duchy's large banking sector.

Questions were raised about the future of banking centres such as Luxembourg, which provide a safe and secret haven for private clients' cash.

For outsiders, the EC presidency and the BCCI affair probably represent the two sides of Luxembourg's international image in 1991 – the prestigious and the ignominious. But in the Grand Duchy itself, those two events have had little fundamental effect.

To take the BCCI affair: although sensitive to the criticisms of outsiders, most Luxembourg bankers – and the IML itself – believe the collapse was a legacy of the mid-70s (BCCI was set up in Luxembourg in 1972), when banking regulation worldwide was much laxer. They insist that such a bank could not now be established in Luxembourg.

More worrying for the Luxembourgers is the possibility that the capital's role as a banking centre might be undermined gradually by the process of harmonisation across the Community. Some fear that the same banks lured into the Grand Duchy 15 or 20 years ago by fiscal incentives and banking secrecy might simply drift away once neighbouring jurisdictions look equally attractive.

In the same way, albeit in a very different area, the government is concerned that attempts to establish the Grand Duchy as a "mediaport" – attracting investment by broadcasters and film-makers – might be threatened if Compagnie Luxembourgeoise de Telediffusion (CLT), the large private broadcaster, moves the substantial parts of its network of radio and TV stations out of Luxembourg and closer to their audiences in other European countries.

If Luxembourg is worried about a gradual erosion of its unique attractions, then it is also confident it can shore up its diverse economy with the tried and tested combination of expertise – always beginning with Luxembourgers' much-vaunted linguistic abilities and commercial know-how (the art of dealing equally effectively with the French and the Germans) – and innovation.

Employees in the non-manufacturing industries now have to improve their productivity and the quality of the service on offer. In manufacturing, the challenges are slightly different. Government officials are encouraged that outside investors – originally lured to Luxembourg by a combination of stability, location and commercial neutrality – are now expanding their operations in the country.

And native industries such as Arbed – Luxembourg's resident steel manufacturer – are looking beyond the country's borders and are trying to shape up for competition against larger world players.

The Luxembourg government, meanwhile, remains keen to develop new incentives for investment. In the audio-visual field, the government still hopes that the programme of tax-breaks for film-makers, which was set up in 1988, will encourage some more permanent investment in the Grand Duchy.

Separately, within nine months of its establishment, Luxembourg's shipping register has attracted 54 vessels eager to fly under a flag which is said to offer a more flexible and cost effective operating environment than other jurisdictions.

The government's approach seems to embrace a bizarre spread of activities, but the key to its success so far is that the items on offer are linked to the country's existing strengths. Just as the growth of banking fed off natural advantages such as location and languages, so the new activities now feed off the banking sector.

This has also encouraged the banks to diversify into new areas – financing films and shipping as well as offering private banking services and leading syndicated loan issues. The financial institutions thus develop a new expertise which in turn binds them more closely to the Grand Duchy.

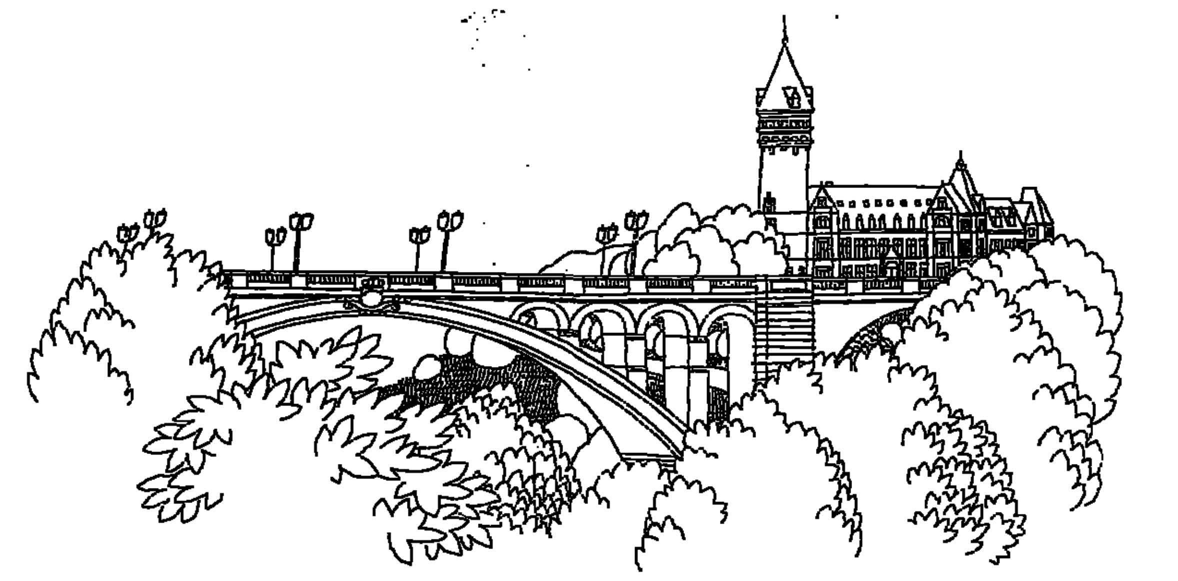
But the government and business community also realise that it is unrealistic to expect all industry and investment to root itself in this tiny part of a wider industrial region. Investors – and government officials – are increasingly talking in terms of a politically non-existent but commercially powerful Saar-Lor-Lux area which takes in the Grand Duchy, as well as parts of Belgium, Germany and France.

As part of such a region – and of a European Community which could widen to take in 20 or more members – it is not going to get any easier for Luxembourg to preserve its economic, financial and industrial identity.

Luxembourg will try to rise to that challenge, but for the Grand Duchy to retain and develop its unique attractions to investors in such a world will be a real coup.

Glyn Genin

Outside investors are lured to Luxembourg – the EC's smallest and wealthiest state – by a combination of stability, location and commercial neutrality



■ Manufacturing industry

Fresh challenges

TDK, the Japanese producer of audio tapes, is expected to open its new plant in Luxembourg this month. At around LFr7bn it is the Grand Duchy's largest ever investment.

But Luxembourg government officials and industry representatives know that the TDK investment, and Du Pont's comparable investment in new chemical plant five years ago, were unusual.

"We have been very lucky in having two LFr7bn projects within five years," says Mr Georges Schmit, adviser at the Luxembourg economy ministry. "We may still get other important projects in investment terms, but TDK also created 800 jobs and that's truly exceptional. I don't think that will happen more than once a decade."

The challenge now is to maintain a stream of quality investment in manufacturing industry. Since the TDK investment was announced in 1989 the Grand Duchy has not done badly. In 1988, total investment in industry amounted to some LFr11bn, according to a government survey of 150 companies. That increased to an estimated LFr16bn in 1990 and is forecast to top LFr18bn this year.

What is more, international companies already established in the Grand Duchy show no sign of slowing down their investment plans, despite recent difficult economic conditions worldwide.

Luxguard – a subsidiary of the US glass producer Guardian Industries – is to spend between LFr1.5bn and LFr2bn on a new factory, its third in the Grand Duchy, to produce automotive glass; Granges, a subsidiary of Electrolux of Sweden, has just spent LFr1bn increasing its capacity in aluminium foil production; and Eurofloor, part of the French Sommer Allibert group, is working on three projects to expand production of vinyl flooring – a total investment of about LFr2bn.

Luxembourg, unlike its fellow European Community members, is not seeking to woo outside investors because it wants to create jobs. Far from it. There are only 2,000 people out of work from a total population of 375,000 and many of those are unemployable. Labour is one of Luxembourg's biggest imports – about 30 per cent of the working population commute from across the border – and TDK is expected to fill more than half the jobs at its new plant with workers from outside the country.

Luxembourg's principal desire is to preserve the balance between manufacturing and service industries, which used to account respectively for 60 per cent and 40 per cent of gross domestic product. Since the boom in the Grand Duchy's financial sector that ratio has been reversed and the government does not want to see the share of manufacturing industry slip much below 25-30 per cent.

Du Pont factory: international investment continues

Anxiety about the steel industry's dominance – the original catalyst for the promotion of Luxembourg as a banking centre – is a second reason to encourage diversified investment in the manufacturing sector. For illustration, one need only examine the 1991 first-quarter industrial production figures – a decline of about a tenth of 1 per cent compared with the first three months of 1990.

But that drop was due almost entirely to a 7.8 per cent slump in iron and steel production. In fact, the rest of Luxembourg manufacturing industry increased production by 4.2 per cent, with particularly strong performances from the energy, chemical and electrical sectors.

Mr Lucien Jung, managing director of Fedil, the Luxembourg industry federation, says the Grand Duchy is in search of specific types of investment. "We're looking for small or medium-sized firms with environmentally friendly, high technology, high added value products, not employing too many people," he says.

The difficulty, especially as the single European market approaches, may be persuading industrial investors that Luxembourg can offer more than its neighbours. Economically, demographically and industrially Luxembourg is part of the wider Saar-Lor-Lux region covering parts of Belgium, Germany and France – a region of 50,000 sq km, rather than 2,600 sq km, and with a population of some 7m people.

But although government officials admit that Luxembourg cannot hope to garner all the investment flowing into the region, the Grand Duchy does claim certain advantages over its neighbours. Mr Jung cites geographical location, linguistic ability and hence an aptitude for dealing with a variety of business cultures. He also points out that when industry wants to talk to the government, it is much easier to contact the relevant official or minister in Luxembourg than it would be in larger countries.

Mr Schmit of the economy ministry adds political and economic stability to the list and – perhaps the most telling attraction in the cut-and-thrust of post-1992 European trade – commercial neutrality.

"Even in the Europe of 1992, there are still going to be French, German, British or Italian-made products and they will probably also be promoted that way," he says. "We think that a product made in Luxembourg not only has a good reputation, but is not regarded as a commercial threat."

Andrew Hill

David Gardner examines the economy

Workers wanted

LUXEMBOURG'S economy thrives, outperforming its EC partners on almost all measures except size. But Luxembourger officials are coming to view their economy as a phenomenon affecting a far larger region than the Grand Duchy itself. This is particularly because of the main constraint on growth: a secular shortage of labour which can only be made up by attracting workers from abroad.

Luxembourg has virtually no unemployment and the highest per capita income in the EC. The Luxembourg franc is for all practical purposes the franc of Belgium, with which the Grand Duchy has a long-established economic union – and the Belgian franc is now tied to the D-Mark.

Luxembourg's public finances are solid. It expects this year to turn in its eighth consecutive budget surplus, while still increasing public spending, and having handed back 5 per cent of gross domestic product in tax relief packages since 1985.

It has the lowest public debt in the EC, as a percentage of GDP. Earnings from its banks and financial services secure it huge current account surpluses – equivalent to 27.3 per cent of GDP last year, proportionally the largest among industrialised countries.

Growth averaged more than 4 per cent in 1985-90, tapering off to about 3.5 per cent this year and last, after signs of overheating in 1989 when the economy grew 6.1 per cent, nearly twice the EC average. Inflation picked up sharply from 1988, rising to 3.7 per cent last year and settling probably slightly lower this year, as a result of lower-than-predicted energy prices following the end of the Gulf crisis.

Macroeconomic success stems largely from the financial prudence of the Christian Democrat-led coalition government, and from a consistent policy of diversification.

Public debt has been cut from 14.8 per cent of GDP in 1984 to a negligible 6.8 per cent now. Part of those budget surpluses are now being set to work on eliminating some of the bottlenecks that grew during the years of prudence – mainly in the shortage of housing and inadequacy of the road network.

Steel still accounts for 7-8 per cent of GDP. But whereas in 1966 the sector generated 83.1 per cent of Luxembourg's exports, it now accounts for only 37.9 per cent.

Banking, insurance and financial services (see separate article) have over this period grown from 1.4 to about 15 per cent of GDP. In manufacturing, plastics, chemicals, engineering and machinery, glass and textiles companies have all established extensive operations – which many are set to expand.

Although most new investment is capital rather than labour intensive, this level of otherwise enviable job creation highlights Luxembourg's main structural problem – its demography.

Luxembourg's birth rate is very low and the population is getting older. Labour shortages and a looming social security crunch were identified last year by the Organisation for Economic Co-operation and Development (OECD) as one of the main clouds on an otherwise bright horizon.

This creates two obvious strains. If incoming workers become resident in Luxembourg, the already sharp housing shortage will become more acute, and the saturation of the Grand Duchy's road system will worsen. Yet the government also has to secure a tax base sufficient to finance the pension, social security and healthcare demands of an ageing population.

A profile of steel producer Arbed by **Adrian Strain**

Giant still seeks international alliances

ARBED, Luxembourg's steel giant, employs one in 25 of the Duchy's population and accounts for roughly 10 per cent of the Duchy's gross domestic product. Yet its main concern is over losing ground to larger international competitors.

Steel producers such as Arbed are finding it increasingly unfashionable to be medium-sized.

The Luxembourg group, ranked fifth in Europe and 13 in the world, has in the past few years been looking for large-scale international alliances to share the burden of the investments it needs to stay competitive.

"With the giant conglomerates now being formed in France, Great Britain and Italy – with immense resources – the Arbed group is at risk of losing its current position", says Mr Pierre Thein, Arbed's planning director.

Piecemeal link-ups in the past few years, mainly with Arbed's neighbours in France and Belgium, have helped reduce the Luxembourg-based parent company's share of the group's total turnover to about a quarter.

After setting up a three-way steel bar marketing joint venture, LME, the group earlier this year launched Europrofil, the genesis of a 50-50 constructional steel joint venture with the French steel producer Usinor Sacilor.

Glyn Genin

Arbed: ranked fifth in Europe and finding it increasingly unfashionable to be medium-sized

But Arbed has to be cautious in negotiating alliances with the expansionist (and, some allege, state-supported) French.

While no one disputes Arbed's status as market leader in the heavy beams that it has been rolling from its flagship Differdange mill in southern Luxembourg for nearly a century, in most other steel sectors Arbed would be dwarfed by Usinor Sacilor.

Arbed's sensitivity to the danger of being swallowed up in cross-border alliances probably played some part in the collapse of last year's talks on a planned link-up between its Belgian flat steel subsidiary Sidmar and Cockerill Sambre.

The deal fell through mainly over Arbed's unwillingness to release Sidmar into a free-standing jointly-owned company.

Arbed's managers believe, however, that Cockerill, denied a stake in Sidmar's profitable coated sheet plant in Ghent, was the real loser.

Sidmar is the jewel in the Arbed group's crown, with probably the highest productivity rate of any flat rolled steel plant in Europe and some unusually good market contacts.

In the late 1980s, helped by friends in Moscow of its chairman, Rene Bruck, Sidmar exported up to 20 per cent of its turnover to the Soviet Union.

The task for Arbed is to find Sidmar a partner without letting it slip from the Luxembourg parent company's control.

Any joint venture in the coated sheet sector, currently exposed to overcapacity of up to 25 per cent by the slump in demand from the car industry, will inevitably lead to some rationalisation.

Arbed will want a firm say in it, having invested heavily in new coated sheet lines in the past few years.

After the failure to find a Belgian solution for Sidmar, Arbed will probably look again to Usinor Sacilor.

This would commit more of the whole group into the French camp than many in Luxembourg, perhaps including Arbed's management, would like. Arbed's watchers believe this would rule out any plans for the Duchy to relax its current 43 per cent stake in the company.

Arbed has so far kept the industry guessing on how it will beef up its financial muscle without sacrificing its corporate, and national, identity.

At a press conference this week at its Luxembourg city headquarters, however, Mr George Faber, group president, is scheduled to announce the group's biggest restructuring, involving at least one foreign partner, for at least 20 years.

Analysts believe that one of the prime architects of the shakeout has been Mr Joseph Kinsch, Arbed's highly-regarded financial director who is due to take over as chairman of the general management committee on January 1. Mr Kinsch also gets credit for much of Arbed's transformation over the past decade, from the vast losses of the early 1980s steel crisis to a position today of handsome profitability and relatively low debt.

Out of the savage restructuring moves of that earlier period, performed without the state aid that helped other steelmakers survive, Arbed has emerged with a reputation for having the knack of making big strategic decisions well ahead of the game.

With a very small local market – Arbed sells only 25 per cent of its steel in the three Benelux countries – the group has long been well-trained and well-placed for exports.

In Germany, where it is the largest foreign steel supplier, the group now challenges German producers with a lower productivity rate than their own.

Germany also happens to be the one European market to have stayed strong in 1991, which will cushion the inevitable fall in the Arbed group's interim profits, due to be announced this week.

The annual results in 1991 are expected to reflect a fall similar to last year's drop in profits of about 40 per cent to LFr9.8bn.

While some steel producers, particularly in Japan, are looking to diversify into other sectors, Arbed has ruled out spreading its wings beyond the sectors related to an industry in which it has nearly a century's experience.

Some of the group's most recent acquisitions have yet to reap rewards: Circuit Foil Group in the US was bought in 1990 and promptly saw a 26 per cent fall in copper foil sales because of a depressed electronics industry.

The author is the Brussels correspondent for Metal Bulletin

David Buchan on Luxembourg's EC presidency

Order out of chaos

FEW remember the name of the runner on the first leg of a relay race – and this is a bit of the problem for Luxembourg, whose main task during its EC presidency in the first half of this year was to chair the inter-governmental conferences (IGCs) on political and monetary union.

By the time Luxembourg finished its stint in the chair of the Council of Ministers, it was able to hand the presidency baton on to the Netherlands together with a bulky draft treaty. The snag for the Grand Duchy, anxious to nail down concrete achievements for its presidency, was that its EC partners were only ready to agree that the Luxembourg document was "a good basis" for further negotiation, leaving all firm agreements to be reached at Maastricht in December.

This was a disappointment for Luxembourg, which had been able to chair the 1985 negotiation of the far slimmer Single European Act from start to finish. Nonetheless, Luxembourg ministers and officials deserved credit for bringing some order out of chaos. Mr Jean-Claude Juncker, the finance minister, and Mr Yves Mersch, the senior Treasury official who steered the fortnightly meetings on economic and monetary union (Emu), had a more manageable task than their counterparts dealing with political union.

The broad shape of Emu had been well defined in the Delors report and a Commission draft treaty before the IGC even began, leaving negotiators focusing mainly on the tricky transition of how to get to a single currency.

Luxembourg's draft Emu treaty steered a canny middle course between German and French ideas, although subsequently the Dutch have guided discussions nearer Germany's position.

Perhaps Luxembourg's only false move was to have caused mild domestic embarrassment to the Major government by talking publicly of a let-out clause for Britain in a way that clearly tipped off anti-Emu Tory backbenchers to the likelihood that the UK will sign an Emu treaty later this year.

By contrast, Mr Jacques Poos, the foreign minister, and his EC ambassador, Mr Joseph Weyland, had a far rougher time at the helm of the political union IGC. This conference was, of course, buffeted by the steady erosion of Community solidarity as Europe followed the US into war against Iraq over Kuwait.

Issues of whether the EC should have a common security and defence policy suddenly acquired a painful real-life significance, with most countries, including Luxembourg, arguing the need for more majority voting to give EC foreign policy more coherence and others such as Britain contending that member states could not let themselves be outvoted on matters of war and peace.

In the end, all the Luxembourg presidency could do was to record such deep differences of view for settlement later in the year.

But Luxembourg brought off one nice ruse. In order to ease the fears of the UK and others hesitating such as Denmark, Portugal, Ireland, the presidency put EC co-operation on security and internal policing outside the standard EC machinery with its full involvement of the Commission and European Parliament.

The Commission and a bevy of integration-minded states cried that this was an offence against the Community structure. Luxembourg did not budge on the essence, but it wrote into the draft preamble that the EC had "a federal vocation". These words caused a furore from the UK, thereby giving the Commission-led camp such pleasure that it quite overlooked the fact that it had won nothing in substance.

In all probability, the word "federalist" will disappear – as the UK insists – by December, but its brief appearance will have served Luxembourg's devious purpose. This was to retain the looser treaty structure for countries such as Britain which dislike expanding EC competence in security matters, but also to end the presidency on better terms with the Commission.

Relations between the two had been exceptionally strained, because Luxembourg had had to ignore almost totally the over-ambitious and late submissions which the EC executive had made to the political union IGC. But Luxembourg knew it could not afford bad blood with Brussels to continue after its presidency and its return to normal life as just one (tiny) member state.

Outside IGC business, the Luxembourg presidency was mainly carried along on a tide of foreign events – the Gulf war, the Soviet and Yugoslav crises – beyond its, or the EC's, control. And it did not make much imprint on major economic negotiations with the European Free Trade Association (Efta), and with trading partners in the General Agreement on Tariffs and Trade (Gatt).

It did, however, score one big achievement for the EC's single market programme by getting, even from the UK, political agreement on the harmonisation of value added and excise tax rates.

Mr Juncker's skilful handling of this confirmed him as the heir apparent to Mr Jacques Santer, prime minister, in the Social Christian party.

However, the EC agreement will involve some increase in Luxembourg's indirect taxes. The reaction of the ordinary Luxembourger to that will be seen in the next election.

LUXEMBOURG: INDUSTRY AND INVESTMENT 3

■ Audiovisual industries

Media giant for Europe

LUXEMBOURG may be a territorial pygmy, but it is rapidly and quietly turning into a media giant.

Through the television and radio broadcasts of Compagnie Luxembourgeoise de Télédiffusion (CLT) and the satellite dishes of Société Européenne des Satellites (SES), the Grand Duchy is now responsible for the audiovisual diet of at least 120m Europeans.

This is no fluke. As early as 1931, the Luxembourg government decided to allow a private company – Compagnie Luxembourgeoise de Radiodiffusion as it then was – to broadcast from its territory, rather than creating a public sector broadcaster for its tiny population. In 1983, the Grand Duchy seized the opportunity to register satellite frequencies and grant a franchise to a privately-owned satellite broadcasting system, the first in Europe.

Mr Yves Elsen, SES secretary-general, has little doubt about who should take the credit for Luxembourg's expansion into the pan-European media field: "The initiative was taken by the Luxembourg government. They recognised that terrestrial [broadcasting] had a physical limit."

SES is now firmly rooted in Luxembourg, controlling its two Astra satellites, used by Mr Rupert Murdoch's BSkyB group among others, from the grounds of a château just outside the capital.

CLT, celebrating its 60th anniversary this year, has just moved to high-tech headquarters on the Kirchberg plateau, a short distance from the city centre. But like an overgrown teenager who has lived with his parents for 60 years, CLT is beginning to see the limits of home-life – to the irritation of the Luxembourg government.

The company, which transmits 10 radio stations and six TV channels covering an area from the British Isles (Radio Luxembourg was one of CLT's original activities) to Berlin, argues with some justice that it has to be close to its market.

Over the past six months, for example, CLT has gradually switched the centre of operations for RTL-TV – which broadcasts to the Lorraine area of France – a few kilometres across the southern border to Metz. Similar plans have been made to centre the German TV and radio stations in Germany. In the case of RTL-TV, the effect has been dramatic, according to CLT's communications director, Ms Karin Schintgen.

SES network operations centre at Château de Betzdorf

"We actually discovered that with access to the local advertising, national advertisers were also attracted, because they were interested in taking slots right after local commercials," she says.

The government, however, is miffed by what it sees as the flight of its flagship audio-visual group from the Grand Duchy. Mr Paul Zimmer, one of the prime minister's advisers on audio-visual issues, says the government has fought hard on CLT's behalf to break down broadcasting restrictions in other countries. One of the fruits of that campaign should ripen this month with the legal implementation of the "television without frontiers" EC directive preventing member states from blocking transmissions from other EC countries.

"The government was always helpful to CLT," says Mr Zimmer. "We always thought [such assistance] would strengthen their Luxembourg operations and we are a little bit disappointed that although they've increased their staff there's been no change here."

The government is consoling itself somewhat by pushing the Grand Duchy's attractions as a "mediaport", as the publicity material calls it, offering a favourable environment to media groups and film-makers.

CLT and SES/Astra are the first two firmly established pillars of this strategy. The third and most recent is the 1988 system of special tax incentives for film-makers, aimed principally at producers of TV drama series. For the government, this has been a mixed success. True, the offer of tax credits to film producers shooting in Luxembourg has attracted small operators and, as a side-effect, has encouraged the Grand Duchy's bankers to branch into the new area of film financing. But although some $20m has been spent in the country – far more than expected – few producers have put down roots. "A number of people come, make their movies, and just disappear again," says Mr Zimmer.

That may be changing. CLT is setting up a post-production company aimed at helping foreign producers who want to take advantage of the incentive scheme and Mr Zimmer says there are several operators interested in establishing proper studios in the country.

"We're not looking to create a European Hollywood," he explains. "We're so small we could not afford to have an industry of tens of thousands of people. But we've discovered in banking a number of niches which make sense for Luxembourg and we're looking to do the same thing in the audio-visual sector. We're not looking for huge amounts. We could live with a very small slice of the European media cake – but it's a huge cake."

Those niches could include language-dubbing facilities for pan-European programmes, taking advantage both of the Luxembourgers' linguistic head-start over other countries. The government also believes centrally-located Luxembourg might be the ideal place for producers of multinational news or entertainment programmes to base co-production operations.

Another untested idea is the possibility of promoting the Grand Duchy as a slipway for, say, US broadcasters who want to launch broadcasting services under a Luxembourg flag of convenience, taking advantage of the EC's television without frontiers initiative.

One clear characteristic of the government's audio-visual policy is an openness to ideas. Although Luxembourg created the conditions which helped CLT and SES develop their successful operations, it seems to be waiting for broadcasters and producers to suggest what the next step might be.

Paul Zimmer makes no bones about the administration's potential flexibility: "Luxembourg is small. We can change our legislation if that's necessary and in the audio-visual sector there's no powerful lobby keen to defend a domestic market here."

Andrew Hill

1991 has not been a great year for banking, writes **Andrew Hill**

Is the golden age over ?

DISMAL prophets say the golden age is over for Luxembourg's banking sector. The doubters have come out into the open, their worries fuelled by the collapse of BCCI; the Grand Duchy's first strike of banking employees; a slump in net profits; and an apparent lull in the number of foreign banks clamouring to set up shop in the city.

Perhaps most damaging of all, the whisper goes that Luxembourg is no longer different enough to attract banking custom. Even next-door Belgium – where the national sport is tax evasion and Luxembourg's banking secrecy laws are a big attraction – has tried to stem the flow of natives across the border by cutting its withholding tax on interest income from 25 per cent to 10 per cent.

Given that the financial sector accounts for more than 15 per cent of Luxembourg's gross domestic product and nearly 8.5 per cent of its total domestic employment, these concerns are serious. But local bankers are quick to deny that the influx of banks in the 1970s and 1980s is about to be reversed.

First to arrive and certainly the last to go, if it ever came to that, would be the state-owned Banque et Caisse d'Epargne de l'Etat, founded in 1856, and the country's oldest financial institution.

Mr Henri Germeaux, its deputy chief executive, says tax advantages and even banking secrecy – which the government would defend to the death – are no longer the Grand Duchy's fundamental attractions. "Even if those things go, the know-how will stay in Luxembourg," he says.

Know-how is the key word for Luxembourg's bankers, a mantra intoned whenever the financial sector seems to be threatened.

Know-how consists of the presence of some 185 banks in the small city, standing on the twin pillars of international loan business and private banking. The number of banks in the Grand Duchy has been growing more slowly in recent years. But as Mr Pierre Jaans, who heads the country's banking supervisor, the Institut Monetaire Luxembourgeois, points out, there are only about 200 banks worldwide eligible to open up in the Grand Duchy.

Glyn Genin

State-owned Banque et Caisse d'Epargne de l'Etat

Three South Korean banks have been among the newcomers this year and only the British and Spanish banks are significantly under-represented.

Indeed, many Luxembourg bankers are happy that the rush to set up in the city is slowing down. Now, as the differences between the Grand Duchy and its fellow EC members are eroded, the test is to see if the productivity of banking staff and the quality rather than the quantity of service can be improved.

"I would say banking secrecy has been exaggerated as an attraction," says Mr Jaans. "What's much more important is that someone who comes here [to bank] gets better conditions than if he banks at home."

Dr Ekkehard Storck has been managing director of Deutsche Bank since it set up in Luxembourg 21 years ago as one of the first foreign banks in the city. To cater for what he believes will be a growing private client business – albeit with lower volumes and margins than international loan activities – he and his staff are about to move to high-tech offices, across one of the gorges and away from the congested city centre. "The big money still goes to Switzerland – but the small and medium-sized fortunes are here," he claims.

It is clear that the international loan business has been slow in recent years. Overall net profits for the Luxembourg banks dropped in 1990 from LFr23.9bn to LFr19.1bn, and Mr Jaans admits it was a difficult year. But he also points out that the gross profits were up by more than 21 per cent, and higher-than-usual provisions against loans to the Soviet Union and eastern Europe hit the net results.

The first half of 1991, he says, shows an improvement in the banks' performance, with many ahead of budget expectations despite global recession and the aftermath of the Gulf war to contend with. Indeed, according to the head of one US bank in the city, the Gulf crisis generally boosted business for the Luxembourg financial sector as worried private clients switched funds from banks in the friendly Gulf states to the Grand Duchy.

Otherwise, for a sector which prides itself on its discretion, 1991 has not been a great year. First came the banking strike, as unions protested against a new package linking pay for new staff to performance and job description rather than simply to qualifications. The one-day strike only attracted a small proportion of the country's bank employees, and although bankers do not want to say so publicly, in private they say it had no effect on business.

In any case, the aftermath of the strike was rapidly overshadowed by the collapse of the Bank of Credit and Commerce International (BCCI), registered in Luxembourg since the early 1970s. Other banks had little to do with BCCI in Luxembourg, but they are inevitably sensitive about the issue, not only because any scandal projects a poor image of the community to outsiders but because bailing out stranded BCCI depositors through the IML's special deposit protection scheme could cost them a total of up to LFr1.5bn.

The IML claims, with justification, that a bank structured as BCCI was – with a shell holding company in Luxembourg and the bulk of its operations elsewhere – could no longer set up in the Grand Duchy.

In addition, Mr Jaans says that investigations by the administrative receivers so far show that the bank's Luxembourg operations were relatively untainted by the alleged fraud which brought down the company.

"The reasons for the collapse are very specific and there are no lessons to be learned for the banking sector in general. It's had the same effect on us as a murder committed in Wavre [near Brussels] might have on the the reputation of the town of Wavre," says Mr Jaans.

But if nothing else, the BCCI affair – and the spotlight of publicity turned on Luxembourg – has made the Grand Duchy's bankers realise that they are not a protected species. In future they will have to fight hard to retain and win custom from elsewhere in a harmonised European Community.

As Mr Jaans puts it: "If you think you can sleep on it then you lose the business and you deserve to lose it. It's clear that bankers here will have to watch out and stay competitive."

Simon Gray reports on the impact of foreign nationals

Good record of integration

LUXEMBOURGERS like to say they have no fears about a united Europe: "We already have it at home." Indeed, of the total population of 392,983 at the beginning of 1991, some 109,602 – or 27.9 per cent – were nationals of other European Community countries and a further 11,743 residents were from outside the EC.

In total, just under 31 per cent of the population holds foreign nationality; twice the level of the next highest European country, Switzerland. The size of the foreign community poses a number of questions about Luxembourg's future identity, but so far the country seems to be coping remarkably well.

According to Statec, the national statistics service, the biggest single group is the Portuguese (41,769), followed by the Italians (19,831), French (14,625), Belgians (10,920), Germans (9,560), Dutch (3,774) and British (3,375). The largest non-EC community is the Yugoslavs (2,325), followed by the Americans (1,358).

Throughout modern times, Luxembourg has been a magnet for foreign workers and their families. The first recorded economic (as opposed to military) immigrants were Germans and Italians who arrived in the 1870s to work in the booming iron and steel industry, counterbalancing Luxembourg emigration to the Americas, mainly the US.

In 1930, foreigners made up nearly 20 per cent of the Grand Duchy's population. This figure dipped through re-emigration to 10 per cent in 1947, then began rising again as post-war reconstruction helped the Grand Duchy climb back among the ranks of Europe's richest countries: to 13.2 per cent in 1961, 18.4 per cent in 1971 and 26.3 per cent in 1981.

The proportion would be higher still were it not for the country's capacity to assimilate immigrants into the population. The number of Italian nationals, for example, has dropped from 23,400 in 1971 to fewer than 20,000 now, not because of re-emigration but because second-generation immigrants have opted for Luxembourg nationality.

According to Mr George Als, recently-retired director of Statec, the post-war surge in the foreign proportion of Luxembourg's population has three main causes. First is the low birth-rate (an average of 1.52 children per woman in 1989, well below the natural replacement rate of 2.1) which is increasing the average age of the population and reducing the proportion of "native" Luxembourgers.

Another factor, says Mr Als, is the changes in the social structure of the population resulting from the increasing length of eduction and general access to a higher degree of education. This has created a gap at the bottom of the labour market for immigration to fill.

At the same time, Luxembourg's economy has continued to grow in areas where there are few opportunities for productivity gains, such as construction and allied trades, hotels and catering and general services.

To these factors must be added the growth over the past decade in the financial and related sectors which has exhausted not only the supply of qualified people on the labour market but even opportunities for "turning hairdressers into bank clerks," as happened during the 1970s in the early days of Luxembourg's financial centre.

As well as attracting immigration *per se*, the boom has boosted the number of cross-border commuters from Belgium, France and Germany from about 18,200 in 1981 to more than 32,000 today. Anecdotal evidence suggests that increasing numbers of commuters are tending to set up home within the Grand Duchy.

The Portuguese, whose numbers soared from 5,800 in 1971 to 29,300 a decade later, and at the beginning of this year made up more than 10 per cent of the total population, are generally at the bottom of the economic ladder, filling jobs in construction and manufacturing, although a small business sector is emerging.

They tend to bear the brunt of what racist sentiment exists in the Grand Duchy, although this remains low considering the size of the foreign population. At the last general election in 1989, a cluster of right-wing parties campaigning more or less openly against continued immigration attracted less than 1 per cent of the vote between them.

Another issue with which the authorities are grappling is political rights

Analysts such as Mr Als say this has much to do with the fact that immigrants are overwhelmingly of European origin, sharing to a large degree the culture and background of the native population. The government is not eager to see this change and is preparing, for example, to tighten rules on political asylum.

Another issue with which the authorities are grappling is political rights. Seeking to head off demands for voting rights for foreigners in at least local elections, the government has introduced nominated foreigners' consultative committees to advise municipal authorities. However, their work remains largely obscure even to the people they are supposed to represent.

A more tricky problem is schooling in a country where the education system is mostly conducted in German and Luxembourgish, languages in which pupils from romance-language countries, especially the Portuguese, tend to struggle.

This is all the more serious since in the two largest municipalities, Luxembourg City and Esch-sur-Alzette, more than half the school population are of foreign origin. The language problem is widely blamed for the fact that some 45 per cent of pupils leave school without any formal qualifications.

The answer which the authorities shy away from is creation of a parallel French-language school system. They fear use of Luxembourgish might suffer. Experience suggests the next generation of pupils will be at home with German and Luxembourgish, but in the meantime there is the risk of creation of an "underclass" whose lack of educational qualifications bars them from the economic mainstream.

With these provisos, Luxembourg can boast a good record on integration. The number of Luxembourgers with Italian names bears testimony to the absorption of that community, and Portuguese-Luxembourg intermarriage is growing more common.

Meanwhile, the foreigners have made Luxembourg City an increasingly cosmopolitan place. The capital has a selection of restaurants ranging from Creole to Thai (although the majority are Italian), and over the past decade English has emerged as the country's fourth language after Luxembourgish, German and French, spoken even by supermarket check-out clerks. Knowledge of five or six languages is not uncommon.

Among the newcomers are the Japanese, who numbered just 327 at the end of last year but whose representation is increasing with the establishment of TDK's European headquarters and a large audio and video cassette manufacturing plant in Bascharage, as well as the newly-opened Kikuoka Chant Val golf club.

With a Fanuc industrial robot factory operating in Echternach, on the border with Germany, since 1981, and nine Japanese banks represented in the financial centre, Japanese influence is being felt at a popular level. The three Japanese restaurants in Luxembourg City have now been joined by two Karaoke bars.

Whatever misgivings exist about the size of the foreign population, it seems unlikely that Luxembourg can afford to curb immigration in any foreseeable future. The low birth-rate means an that increasing number of elderly people (enjoying generous pensions) will have to be supported by a diminishing proportion of people of working age unless continued immigration fills the gap.

Further increases in the number of women in the workforce (their proportion rose from 26 per cent in 1970 to 35 per cent in 1989) is liable to cut the birth-rate further, while the availability of commuter workers is contingent on continued high unemployment in neighbouring regions. That factor, plus the continued appeal of Luxembourg's high standard of living, will by all expectations encourage a high level of immigration for years to come.

COMMODITIES AND AGRICULTURE

Zairean riots send cobalt prices soaring

By Kenneth Gooding, Mining Correspondent

COBALT PRICES in the free market have rocketed because of the rioting and deaths in Zaire, the world's biggest producer. The metal is an essential ingredient in some of the superalloys used by aircraft manufacturers and in products employed by the automotive industry so consumers watched with increasing nervousness as the price jumped from $15 a lb last week to $19.

Prices stabilised yesterday as a war of nerves developed between consumers and merchants. "The market is paralysed with fear. It depends on who loses their nerve first. Whatever happens, the price is likely to go roaring up or down in the next couple of days," said Mr Nick French of the Wogen Resources trading group.

He insisted, however, that shortages of cobalt had been developing over the past two years and in the longer term cobalt prices were destined to rise.

The Cobalt Development Institute, an organisation supported by producers, said recently that consumption had outpaced production by an annual 5 to 10 per cent for the past three years. It estimated that production outside the former eastern bloc countries in 1990 was about 20,273 tonnes and consumption roughly 22,500 tonnes.

Gecamines, the state-owned Zairean group, last year produced just over 10,000 tonnes or nearly half the western world total. Its neighbour, Zambia, another country which seems destined for political turmoil, produced 4,844 tonnes.

The two African producers attempt to stabilise the market by setting producer prices and giving long-term contracts. The producer price was lifted from $8.40 a lb last year to $11 but many consumers complain that allocations are well below requirements.

The free market is estimated by Metal Bulletin magazine to account for about 15 per cent of production, or 3,600 tonnes of cobalt, "leaked" from Zaire and Zambia and recently also supplied by the former eastern bloc which was previously a net importer.

The superalloys market accounts for about 25 per cent of cobalt's usage, 33 per cent goes into chemicals (for catalysts, dryers, and to bond radial steel tyres) while the rest is spread roughly evenly between hard metals (cemented carbide), magnets (used in car instruments and anti-skid braking systems) and ceramics.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,670 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.10-2.70 (2.30-2.70).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 17.50-19.00 (14.70-15.20).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 70-90 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.25-2.28 (2.27-2.31).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 59-67 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.20-2.35 (same).

URANIUM: Nuexco exchange /value, $ per lb, U_3O_8, 8.75 (same).

Zinc stocks at record

ZINC STOCKS in London Metal Exchange warehouses rose to a new record yesterday and helped to send prices tumbling to the lowest level seen since the exchange first introduced the special high grade zinc contract in September, 1988, writes Kenneth Gooding.

The price of zinc for immediate delivery dropped by $15 a tonne to close last night below the psychologically-important $1,000 level at $999.50. The three months price fell the same amount at $1,018.50 a tonne. This followed a rise in LME stocks by 1,025 tonnes to 150,350 tonnes.

Mr Graham Phillips, analyst at Credit Lyonnais Laing, suggested that there would be little improvement in the zinc price for at least another year. It would rise only if several high cost mines were closed.

Ultramar agrees first UK gas export deal

By Deborah Hargreaves

ULTRAMAR, THE UK independent oil and gas company, said it agreed to sell gas from its Markham field to Gasunie in the Netherlands, marking the first UK exports of gas.

The Markham field straddles the division between the UK and Dutch sectors of the North Sea. Gas from the two "J" blocks which are in the Dutch sector of the Markham field will also be sold to Gasunie, making a total of 37.3bn cubic feet of gas a year.

Ultramar will also sell 15bn cu ft of the Markham gas a year to Wintershall, a unit of the BASF group in Germany, as part of an agreement it took over from Elf, the French oil company, when it received its interest in the Markham field in August.

The Markham field which contains some 700bn cu ft of gas is due to begin production in October next year.

EC non-food farming boost

REFORM OF the Common Agricultural Policy could give farming for non-food use a boost, said Mr Ray MacSharry, the European Community's farm commissioner, reports Reuters from Brussels.

Cultivation of crops yielding starch, sugar or fibre for industrial use is among the strategies the European Commission will seek to encourage, he told an informal meeting of farm ministers in Leeuwarden, the Netherlands.

Despite the modest results so far, "I remain optimistic", he said. The main problem to date has been that raw materials have been too expensive to encourage pilot projects.

"This situation will change after the reform in the arable crops sector when the price of agricultural raw materials should be established at world market levels," Mr MacSharry said.

In addition, land set aside from cereals production would be eligible for use for non-food crops while benefiting from full compensation for the first 7.5 hectares.

He said forestry offered possibly the greatest scope for non-food farming. But he said it would be hard to persuade farmers used to traditional farming to turn to forestry.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+7,475	to 704,525
Copper	−950	to 308,350
Lead	−50	to 103,275
Nickel	+54	to 9,624
Zinc	+1,025	to 150,350
Tin	−130	to 13,890

Canada defies US by scrapping lumber tax

Bernard Simon on a gamble aimed at easing the problems of a hard-pressed industry

SYMPATHY FOR Canada's hard-pressed lumber industry has prompted the Ottawa government to re-ignite one of the most acrimonious trade disputes in recent years between itself and the US.

On Friday Canada will unilaterally rescind the 15 per cent export tax that it has levied for the past five years on Canadian softwood lumber shipments to the US. The tax was imposed to forestall a US countervailing duty, which was designed to neutralise the low stumpage (cutting) fees paid by Canadian companies in provincially owned forests.

The move has been followed, predictably, by yelps of protest from the US timber lobby, which contends that the subsidies which led to the introduction of the tax have not been fully eliminated. The US industry is also concerned that the termination of the 1986 memorandum of understanding will restrict the information available on the level of subsidy enjoyed by the Canadians.

Senators Max Baucus and Robert Packwood, who represent the timber-growing states of Montana and Oregon, late last month persuaded almost 60 of their Senate colleagues to ask President Bush to take action against Canada, either through section 301 of US trade law or through the imposition of a countervailing duty.

Senator Baucus suggested that the US should review all its trade dealings with Canada, including the two-year-old U.S.-Canada free trade agreement.

The Canadians are gambling however, that in the end, there will be no retaliation. They have even turned down an American request to delay suspension of the duty pending negotiations to find a compromise.

Reports in Canada suggest that Mr Bush quietly assured Canadian prime minister Brian Mulroney last month that he would not retaliate against the lifting of the duty. Mr Bill St. John, vice-president for building materials marketing at MacMillan Bloedel in Vancouver, predicts that "nothing is going to happen unless one of the provinces does something stupid and suddenly reduces stumpage by a significant amount".

Much has changed for the Canadian industry over the past five years. British Columbia, where some 62 per cent of Canada's softwood lumber is produced, has pushed its stumpage rates to a level where companies no longer pay the 15 per cent export tax. Quebec has started to move in the same direction.

As a result, export tax collections have plummeted from C$400m (£200m) in the first year after the levy was imposed to only C$40m last year. Canadian sawmills have also been penalised by the steep rise in the Canadian dollar. The currency is now trading at 88 US cents, compared with an average of less than 72 cents in 1986.

The export duty had become an emotive symbol for the plight of the lumber industry. According to the British Columbia Council of Forest Industries, total Canadian output of softwood lumber tumbled by 7.3 per cent last year to 22.8bn board feet. Production fell another 11.3 per cent in the first half of 1991, compared with a year earlier.

The decline stems mainly from the slump in the US housing market. Although housing starts rose in August for the fifth successive month to a seasonally-adjusted annual rate of 1.07m units, the total so far this year is still 21 per cent below that for the first eight months of 1990. Last year's starts, in turn, were 13.3 per cent below 1989's. The decline has been especially steep in multi-dwelling units, such as flats and town houses.

In spite of the recent improvement, the recovery is by no means well established. New building permit applications fell 4.9 per cent in August to a 956,000-unit annual rate. Some economists predict that this will be the worst year for housing starts since 1946.

The Canadians are responding to sagging US demand in two ways: by trimming production and by channelling a growing proportion of their output to more lucrative offshore markets.

Noting that several companies are in the process of cutting their 1991-92 market forecasts, Mr Rick Franko, vice-president for lumber sales at Vancouver-based Weldwood of Canada, says that "the only way we're going to increase our returns in the short term will be by curtailing sawmills".

Fletcher Challenge and Weyerhaeuser are among the other companies that have closed or sold mills and cut production at those still running.

The more attractive alternative is to seek more receptive markets. An 11.7 per cent drop in Canadian shipments to the US in the first half of this year is only partly explained by weak US demand.

Several companies are also deliberately diverting material to Europe and the Far East. BC mills' exports to the European Community have soared from 726m board feet in 1986 to 1.2bn b/f last year. Shipments to Japan have jumped from 918m b/f to 1.7bn b/f.

While Canada still sold C$3.9bn worth of softwood lumber in the US last year, its market share south of the border has shrunk in the past five years from 33 per cent to 26 per cent.

"We've got out of the US as much as we can and into more profitable markets elsewhere," says MacMillan Bloedel's Mr St. John.

The demand from offshore is mainly for high-quality, value-added products such as decorative beams, wood siding and roof-truss components, for which British Columbia's old forests are ideally suited. Weldwood is currently spending C$7m to refit a mill north of Vancouver for these semi-finished products.

The problem for the sawmills however, is that at least a part of every tree is suitable only for commodity-grade lumber, such as 2 by 4 planks. Only 25 to 30 per cent of a tree grown in BC's coastal forests can be used for decorative products, but the proportion is far lower in the interior.

Inland sawmills, in particular, have little choice but to wait for lower interest rates and improved consumer confidence to spur an upturn in the US housing market. They will be crossing fingers in the meantime that Washington doesn't retaliate against them for Ottawa's decision to lift the export tax.

Patagonian sheep farmers pick over the ashes

A volcanic eruption may have sealed the fate of a troubled sector, writes John Barham

A FREAK natural disaster may be bringing an end to sheep farming on Argentina's Patagonian steppes, one of the most forbidding regions of the world.

In August Mount Hudson, a volcano lost in the remote southern Andes, belched formidable quantities of gas and ash into the atmosphere, carpeting a vast area of the arid Patagonian steppes with an estimated five cubic kilometres of grey, sulphurous dust, causing a unique natural disaster whose principal victims are the region's already ailing sheep farms.

Mr Alejandro Catalano, of the government's National Agricultural Technology Institute says "it is an extremely serious situation. Between 80,000 and 100,000 sq km of the province of Santa Cruz are covered by a layer of two to ten centimetres of ash. The sheep are unable to graze and are slowly starving. The ash has clogged and polluted streams. It is quite possible that over 1m sheep will die". More sanguine analysts expect that 500,000-600,000 animals, or 10 to 12 per cent of the province's 5m sheep, will perish.

The sheep are also being slowly poisoned as the ash blisters their lungs, blinds them and forms undigestible wads in their stomachs. The ash has clung to fleeces, weighing the sheep down, just as they emerge weakened from the harsh southern hemisphere winter. Worse still, the ewes are heavy with lambs. Not only are many sheep likely to die, but lambing is bound to suffer as well, further reducing flocks.

Visitors to the region report that conditions are exceptionally difficult. Strong winds stir up dense ash clouds, so farmers must often wear goggles or gas masks.

The engines of tractors and trucks are sometimes choked with ash. Airports as far as 700 km (430 miles) south of Mount Hudson are sometimes forced to close as towering ash clouds cut visibility.

The province's rural economy, which is largely based on sheep farming, was already badly hit by sliding world wool prices before the Mount Hudson disaster. Mr Alberto Paz, a sheep farmer whose property lies outside the disaster zone, explains that "a farm with 10,000 animals will need at least 50,000 hectares, which in turn will need 10 men to run it, with each labourer costing US$500 a month in wages. But each sheep in central Santa Cruz yields only $5-worth of wool".

Many of those farmers lucky enough to round up their flocks have decided to begin the shearing season a month early. But they have found that fleeces have been made filthy and brittle by the ash. Mr Catalano says farmers can almost pull the wool off with their hands. Yields have halved and prices have fallen because of the wool's atrocious quality.

'The sheep are unable to graze and are slowly starving'

However, farmers hope that shearing the sheep now will make them lighter, giving them a better chance of survival.

Slaughter, the ultimate alternative, is hardly worthwhile: the sheep are bred for their wool, not their meat. In any case, demand for mutton is negligible in a country where beef is cheap and abundant.

Mr Paz doubts that the disaster will have much effect on Argentina's wool production. Argentina does not play a major role on the world market, although it normally exports 70-80 per cent of its output. In the 1989-90 shearing season, production rose by 21 per cent to 102,724 tonnes, worth US$212.2m. However, only 2 to 2.5 per cent of the country's wool comes from Santa Cruz.

Even if the wool market barely notices the disaster, Mount Hudson has wreaked possibly irreversible damage on the province's economy. The government has offered to help. Last month, President Carlos Menem toured the region in the run up to local elections and promised $7m in grants and aid, but so far none of the money has appeared.

Even the US has declared the region a disaster zone and sent goggles, gasmasks and other emergency equipment. It has also dispatched a team of scientists to make a more detailed assessment of the damage.

Southern Patagonia has been struggling with adversity for many years. The ashfall is further accelerating the decline of sheep farming. Decades of overgrazing has severely damaged the soil and reduced yields. The recent slump in wool prices has hit the marginal farms of Santa Cruz particularly hard.

Before the disaster struck, three to five hectares were needed to support one sheep, providing little more than subsistence incomes for farmers at the best of times. The region had about 8m sheep 40 years ago, but desertification has cut that number by a third and forced about 200 farms to close.

The most pessimistic fear that the denuded soil may never recover. The ash has fallen in such quantities that not even strong springtime winds are enough to disperse it. Some farmers think the ash will cover the steppes for years to come, killing off the vegetation by starving it of sunlight, worsening soil erosion further still.

Optimists say that the closure of the environmentally unsound sheep farms will benefit the devastated region in the long run, albeit at a heavy social cost. Others say that farmers themselves are clearing up the ash in areas surrounding their farms, allowing the soil to recover.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed little changed on the London bullion market after holding a tight range throughout the day as doubt still surrounded weekend news Soviet gold reserves had declined sharply to around 240 tonnes. Western analysts believe total Soviet gold stocks are larger, which has lent uncertainty to the market and held prices at current levels. Comex gold futures were easier at midday. On the LME lead closed at the lowest levels since March. However, as the metal is already considered cheap by trade sources there is likely to be good support on any dip towards the £300-a-tonne level for three-month. LME aluminium stocks rose again to a record 704,525 tonnes. Prices eased although sporadic consumer demand and profit-taking purchases were giving occasional bouts of support. Copper prices were also easier, reflecting diminishing concern over the situation in Zaire. However, there was also some caution because of Highland Valley labour talks in Canada, as a strike vote was possible yesterday evening. New York arabica coffee prices were again sharply lower at midday as selling continued on favourable weather in Brazil and disappointment at the outcome of last week's ICO meeting.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.80-7.90z	-0.35
Brent Blend (dated)	$21.15-1.25	-0.25
Brent Blend (Nov)	$20.85-0.90	-0.15
W.T.I. (1 pm est)	$22.10-2.15z	-0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$236-239	-1.0
Gas Oil	$200-202	-1.5
Heavy Fuel Oil	$74-76	+0.5
Naphtha	$208-212	+1.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$353.85	-0.7
Silver (per troy oz)♣	414.65c	+1.15
Platinum (per troy oz)	354.25	+1.75
Palladium (per troy oz)	$82.75	+0.40
Copper (US Producer)	112.0c	
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.99r	+0.12
Tin (New York)	259.0c	+2.5
Zinc (US Prime Western)	52.0c	
Cattle (live weight)†	101.80p	+0.36*
Sheep (dead weight)†	115.28p	+12.3*
Pigs (live weight)†	74.45p	-1.42*
London daily sugar (raw)	$242.0	-4
London daily sugar (white)	$268.0	-2
Tate and Lyle export price	£245.5	-2
Barley (English feed)	£117.0u	
Maize (US No. 3 yellow)	£141.0u	
Wheat (US Dark Northern)	£101.0	+4
Rubber (Nov)♥	52.00p	
Rubber (Dec)♥	52.50p	
Rubber (KL RSS No 1 Oct)	222.0m	
Coconut oil (Philippines)§	$470.0	
Palm Oil (Malaysian)§	$332.5q	+2.5
Copra (Philippines)§	$302.5	
Soyabeans (US)	£156	+4
Cotton "A" index	68.45	-0.55
Woolfops (64s Super)	350p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct/Dec t-Sep/Dec u-Oct z-Sep/Oct y-Aug/Sep x-Nov j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR — London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	184.00	191.00	189.00	184.00
Mar	191.00	194.40	194.00	187.40
May	189.20	192.40	191.00	188.00
Aug	183.20	200.00	190.60	
White	**Close**	**Previous**	**High/Low**	
Dec	283.0	281.5	284.8	282.0
Mar	283.8	284.5	286.0	282.0
May	281.5	283.5	284.0	281.1
Aug	281.8	283.5	284.0	281.5
Oct	283.8	285.0	284.5	282.0
Dec	283.3	285.0	283.5	281.8

Turnover: Raw 1677 (545) lots of 50 tonnes. White 2316 (2316). Paris- White (FFr per tonne): Dec 1610.39, Mar 1629.23.

CRUDE OIL — IPE $/barrel

	Latest	Previous	High/Low	
Nov	20.85	21.00	21.00	20.85
Dec	20.70	20.85	20.85	20.69
Jan	20.55	20.66	20.58	20.53
Feb	20.41	20.46	20.45	20.41
Mar	20.20	20.25	20.20	
Apr	20.00	20.00	20.00	
IPE Index	21.09	20.95		

Turnover 10513 (16045)

GAS OIL — IPE $/tonne

	Close	Previous	High/Low	
Oct	203.50	202.75	203.25	200.50
Nov	203.25	205.50	206.00	202.75
Dec	204.75	207.00	206.25	204.00
Jan	201.25	207.00	204.50	202.75
Feb	199.25	200.50	199.00	198.00
Mar	191.00	192.00	191.00	
Apr	185.00	186.25	185.00	
May	177.00	178.25	177.00	

Turnover 11660 (10692) lots of 100 tonnes

COTTON

LIVERPOOL-Spot and shipment sales for the week ending 27 September amounted to 195 tonnes against 1614 tonnes in the previous week. Fair trading developed mostly in Malawi, Columbian and Russian qualities.

COCOA — London FOX £/tonne

	Close	Previous	High/Low	
Dec	746	748	751	743
Mar	783	784	788	781
May	804	805	809	803
Jul	827	827	827	823
Sep	846	845	848	844
Dec	870	869	871	868

Turnover: 2145 (3614) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 30 949.73 (946.34) 10 day average for Sep 30 951.85 (950.44)

COFFEE — London FOX £/tonne

	Close	Previous	High/Low	
Nov	486	487	498	480
Jan	509	508	520	505
Mar	527	529	535	523

Turnover: 4409 (6211) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 27 : Comp. daily 62.12 (64.32) 15 day average 66.78 (67.23)

POTATOES — London FOX £/tonne

	Close	Previous	High/Low	
Apr	125.3	127.0	126.5	125.2

Turnover 133 (266) lots of 20 tonnes.

SOYAMEAL — London FOX £/tonne

	Close	Previous	High/Low	
Oct	135.00	133.50	135.00	134.50
Dec	137.00		137.00	

Turnover 71 (36) lots of 20 tonnes.

FREIGHT — London FOX $10/Index point

	Close	Previous	High/Low	
Oct	1670	1642	1670	1635
Nov	1708		1710	1690
Dec	1708		1700	1695
Jan	1730	1715	1730	1710
Apr	1730	1715	1718	1715
Jul	1505	1495	1505	
BFI	1526	1524	1526	

Turnover 199 (125)

GRAINS — London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	117.60	117.30	117.50	117.45
Jan	121.10	120.80	121.05	120.70
May	126.90	126.55	126.90	126.70
Barley	**Close**	**Previous**	**High/Low**	
Nov	113.20	113.15	113.25	113.20
Jan	117.15		117.10	117.05

Turnover: Wheat 52 (118). Barley 33 (63).
Turnover lots of 100 tonnes.

PIGS — London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Nov	106.5	104.0	106.0	105.9
Jan	105.5	102.5	105.0	

Turnover:17 (27) lots of 3,250 kg

MGMI — London FOX

	Close	Prev.	High	Low	Vol
Indx	133.12	134.85			
Jun	135.50	137.30	135.50	135.60	30
Sep	136.50	137.80	136.50	136.50	20

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,202 lots
Cash	1142.5-3.5	1155-56	1146	1146-6.5		
3 months	1172-73	1184-85	1177/1170	1175-5.5	1173-4	112,743 lots
Copper, Grade A (£ per tonne)						Total daily turnover 29,565 lots
Cash	1324-25	1333-34	1328/1322	1321-1.5		
3 months	1329-30	1336-6.5	1331/1326	1327-8	1329-30	111,710 lots
Lead (£ per tonne)						Total daily turnover 1,900 lots
Cash	306-07	310-11	309	308.75-9.0		
3 months	315.5-16	319-9.25	320/315.5	318.25-8.50	315-15.5	13,348 lots
Nickel ($ per tonne)						Total daily turnover 1,881 lots
Cash	7550-75	7480-90	7575/7485	7490-95		
3 months	7580-90	7520-25	7610/7500	7620-25	7580-70	16,566 lots
Tin ($ per tonne)						Total daily turnover 1,558 lots
Cash	5575-80	5620-30	5580/5575	5580-85		
3 months	5630-40	5675-80	5660/5630	5640-45	5635-40	5,677 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,108 lots
Cash	999-1000	1014-15	1004	1003-3.5		
3 months	1018-19	1033-34	1027/1017	1023-3.5	1018-20	28,534 lots

LME Closing £/$ rate:
SPOT: 1.7480 3 months: 1.7310 6 months: 1.7190 9 months: 1.7022

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	353.60-354.10	
Opening	352.80-353.20	
Morning fix	353.00	201.910
Afternoon fix	353.85	202.315
Day's high	354.30-354.60	
Day's low	352.60-352.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.02	6 months	4.92
2 months	5.01	12 months	4.88
3 months	4.94		

Silver fix	p/fine oz	US cts equiv
Spot	237.30	414.65
3 months	243.25	420.25
6 months	281.20	425.80
12 months	281.20	438.40

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	354.00-356.00	202.25-202.75
Maple leaf	364.00-365.00	206.25-208.75
New Sovereign	86.25-87.25	49.25-49.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Dec	Oct	Dec
1050	119	151	3	8
1250	43	78	25	32
1350	8	32	89	83
Copper (Grade A)	**Calls**		**Puts**	
2200	128	125	22	59
2300	66	75	59	107
2400	28	42	120	171
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
450	36	64		5
500	4	30	18	21
550		11	64	52
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	20	67	53	29
750	15	72	71	39
775	11	59	91	51
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	88		3	25
2050			10	45
2100	17	43	31	71

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	354.2	354.0	354.6	353.7
Nov	355.6	355.6	0	0
Dec	357.3	357.3	357.7	356.7
Feb	360.2	360.2	360.5	359.7
Apr	363.0	363.0	362.8	362.7
Jun	365.9	3365.9	365.9	365.9
Aug	368.9	368.9	0	0
Oct	371.9	371.9	0	0
Dec	375.0	375.0	375.3	375.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	355.9	353.1	355.0	354.0
Jan	359.5	356.9	359.6	357.5
Apr	363.3	360.8	0	0
Jul	367.0	364.6	365.0	365.0
Oct	374.3	372.1	375.0	375.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	415.8	413.0	0	0
Nov	417.4	414.9	0	0
Dec	419.8	417.3	421.5	417.5
Jan	422.0	419.5	0	0
Mar	426.5	424.0	427.5	424.5
May	430.9	428.4	431.0	430.0
Jul	435.2	432.7	434.5	434.5
Sep	439.6	437.3	438.0	438.0
Dec	446.9	444.5	446.5	446.0
Jan	449.6	447.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	108.00	107.50	108.20	107.00
Nov	106.35	106.15	106.00	105.70
Dec	105.00	104.80	105.10	103.90
Jan	103.90	103.70	103.65	103.65
Feb	103.20	102.85	103.10	103.10
Mar	102.50	102.45	102.70	102.00
Apr	101.95	101.90	102.00	102.00
May	101.40	101.40	101.30	101.30
Jun	100.90	101.00	0	0
Jul	100.45	100.45	100.50	100.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	22.10	22.23	22.18	22.06
Dec	22.01	22.13	22.08	21.98
Jan	21.88	21.98	21.93	21.84
Feb	21.69	21.78	21.74	21.67
Mar	21.52	21.59	21.56	21.50
Apr	21.32	21.38	21.35	21.27
Aug	20.81	20.89	20.81	20.81

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6405	6450	6430	6385
Dec	6530	6565	6555	6510
Jan	6570	6610	6590	6550
Feb	6440	6475	6455	6420
Mar	6160	6195	6175	6160
Apr	5930	5950	5930	5920
May	5750	5790	5760	5750
Jun	5665	5685	5655	5645
Jul	5605	5645	5605	5605

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1210	1220	1224	1208
Mar	1263	1273	1276	1262
May	1298	1305	1305	1295
Jul	1322	1332	1322	1322
Sep	1348	1360	0	0
Dec	1388	1400	1390	1390
Mar	1423	1435	0	0
May	1448	1460	1450	1449
Jul	1473	1485	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	81.20	82.90	83.00	80.10
Mar	84.80	86.40	86.00	83.65
May	87.05	88.55	87.90	86.00
Jul	89.60	92.00	90.00	88.50
Sep	91.50	93.00	92.05	91.00
Dec	95.50	97.90	95.50	95.00
Mar	96.00	0	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.89	9.01	9.02	8.75
May	8.76	8.90	8.91	8.68
Jul	8.73	8.89	8.85	8.65
Oct	8.66	8.81	8.80	8.60
Mar	8.58	0	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	64.16	62.60	63.40	62.25
Dec	65.52	64.18	65.75	64.08
Mar	67.23	65.90	67.50	65.70
May	67.90	66.51	68.10	66.65
Jul	68.55	67.35	68.70	67.37
Oct	66.40	65.80	66.40	65.60
Dec	66.30	65.70	66.30	65.35
Mar	67.50	67.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	122.05	123.00	123.60	121.90
Jan	121.70	122.10	122.75	121.60
Mar	122.55	123.00	123.00	122.00
May	123.55	124.00	123.00	123.00
Jul	123.55	124.00	0	0
Sep	123.55	124.00	0	0
Nov	123.55	124.00	0	0
Jan	123.55	124.00	0	0
Mar	123.55	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	45.75	46.60	47.05	45.70
Mar	45.65	46.52	47.00	45.60
May	46.90	47.70	48.00	46.70
Jul	46.95	47.80	48.00	46.65
Aug	44.90	45.95	46.05	44.90

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 1	Sep.30	mnth ago	yr ago
1627.1	1631.0	1659.8	1785.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Sept 30	Sept 27	mnth ago	yr ago
Spot	116.20	116.36	117.28	127.16
Futures	123.06	123.46	121.61	129.80

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	586/4	587/0	591/4	584/0
Jan	599/2	598/0	602/4	595/6
Mar	610/0	608/2	612/4	606/0
May	617/4	616/2	620/0	614/0
Jul	622/6	621/0	625/0	619/0
Aug	620/4	620/0	621/0	616/0
Sep	595/4	594/0	600/0	595/4
Nov	586/6	586/4	591/0	586/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.92	19.91	20.05	19.82
Dec	20.25	20.27	20.42	20.18
Jan	20.44	20.48	20.58	20.38
Mar	20.76	20.77	20.92	20.75
May	21.05	21.06	21.30	21.05
Jul	21.39	21.35	21.60	21.36
Aug	21.46	21.55	21.65	21.46
Sep	21.65	21.75	21.75	21.65
Oct	21.45	21.66	0	0
Dec	21.75	21.90	0	0.

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	193.6	192.8	195.0	192.2
Dec	191.8	191.1	193.0	190.3
Jan	190.4	189.4	191.0	188.2
Mar	188.4	187.3	189.5	186.5
May	185.3	184.3	186.8	183.7
Jul	184.0	183.2	186.0	182.8
Aug	182.2	182.0	182.2	182.0
Sep	179.5	180.0	182.0	179.0
Oct	191.5	191.5	194.0	191.0
Dec	192.5	192.0	196.0	190.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	254/6	249/2	256/0	250/0
Mar	262/4	257/2	262/6	258/0
May	267/6	262/4	268/0	263/2
Jul	270/0	265/0	270/0	265/6
Sep	258/0	254/6	258/0	258/4
Dec	254/0	250/4	254/0	251/0
Mar	261/0	257/4	261/0	260/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	339/6	332/4	340/4	334/2
Mar	343/4	338/2	344/0	336/4
May	336/6	330/0	338/0	331/0
Jul	323/6	316/2	325/0	317/4
Sep	331/0	323/0	331/0	324/4
Dec	341/4	0	341/4	338/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.30	74.90	75.05	74.25
Dec	76.60	76.77	77.02	76.45
Feb	74.40	74.35	74.70	74.35
Apr	75.17	75.12	75.42	75.15
Jun	72.55	72.60	72.70	72.50
Aug	70.70	70.52	71.20	70.65
Oct	72.10	71.70	72.10	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.92	45.92	46.50	45.90
Dec	44.75	44.72	45.20	44.67
Feb	43.67	43.72	44.25	43.75
Apr	41.75	41.52	42.10	41.67
Jun	46.45	46.20	46.60	46.35
Jul	46.57	46.40	46.70	46.45
Aug	44.92	44.82	45.10	44.87
Oct	41.42	41.35	41.45	41.40

LONDON STOCK EXCHANGE

Equities advance on increased volume

By Terry Byland, UK Stock Market Editor

DISCLOSURE that the UK government has ruled out any plans for a general election in November set the scene on the UK stock market yesterday for a strong start to the final quarter of the year. Heavy institutional demand was focused around a few leading stocks, notably BT, formerly British Telecom, as details of the £5bn flotation of the second tranche of the British government stake were announced, and also the water industry stocks, which benefited from impending price settlements and the reduced threat of a return to public ownership.

The session opened with share prices rising strongly as investment funds, restrained last week by the imminent close of the third quarter, re-entered the market. The rise in equities was encouraged by early gains in the newly-traded December futures contract on the FT-SE Index; Monday's expiry of the September futures contract had put an additional curb on activity in the underlying blue chip stocks.

Account Dealing Dates		
*First Dealings:		
Sep 16	Sep 30	Oct 14
Option Declarations:		
Sep 26	Oct 10	Oct 24
Last Dealings:		
Sep 27	Oct 11	Oct 25
Account Day:		
Oct 7	Oct 21	Nov 4

*New-time dealings may take place from 8.30 am two business days earlier.

The FT-SE Index quickly gained nearly 22 points which proved to be within a few points of the day's best. Several leading dealers commented that they transacted the lion's share of the day's business before 10.30am.

Share prices remained firm throughout the session, although gains were trimmed twice. At the close, the FT-SE Index was 23.9 up on the day at 2,645.6, a level last traded on Sept 13. Traders calculated that seven points of the gain on the Footsie came from a strong rise in BT. UK institutions, some still underweight in this core stock, are not guaranteed shares in the November sale, expected to consist of about half of the government's 47.6 per cent stake, and bought BT stock heavily yesterday.

Water stocks came in for renewed demand in late dealings following the announcement that most companies have agreed to moderate price increases next April.

The impetus of these heavyweight stocks pushed Seaq turnover to 618.4m shares from the 423.6m recorded for the previous session. In early trading, there were signs that a trading programme had been completed, although there were differing views on its content. Some believed that it was mixed programme, worth around £50m overall, but others suggested that London trading was only part of a larger global programme of substantial size.

Traders stressed that institutional demand was somewhat selective yesterday. However, in addition to BT and the water issues, a number of international blue chips found support. BAT Industries, Grand Metropolitan, Hanson, and ICI were all attracting buyers.

Equity strategists commented that the political hints against a November election had lifted one important uncertainty from the stock market. With May 7 seen as the most likely date for the next general election, equity markets now face an extended period of relative freedom from political pressures.

Some strategists also expect the market to stage some recovery from the depression imposed on the stock market by the recent run of bearish company developments and rights issues. However, corporate developments remained unhelpful yesterday with the parent of a UK tourist airline company disclosing a trading loss and a modest fund raising.

Funds rush for BT

A GENERAL scramble by UK and overseas institutions to top up their holdings of BT (formerly British Telecommunications) shares ahead of the near-£5bn offer-for-sale of some of the UK government's remaining stake in the UK telecoms giant drove the stock's price to record levels.

At the close of trading BT stood proudly at a peak of 413p for a gain of 16½ on the day. Turnover totalled a good 10m shares. BT was privatised in November 1984, when just over half the equity was sold by the government at 130p a share.

The launch of the share offer campaign got under way yesterday and coincided with Prime Minister John Major's decision to rule out a November general election. This removed the lingering element of uncertainty overhanging the BT share issue.

Initial details of the campaign, labelled BT II, were given an extremely positive response by the market, where telecoms specialists said the discount offered to private investors, as well as other incentives, would prove a powerful attraction. Some aggressive buying developed as the session drew to a close, with one leading UK marketmaker said to have been responsible for much of the rise in the share price.

Waters in demand

The removal of the general election uncertainty, combined with the statement from Mr Ian Byatt, the water industry regulator, that all the water companies, except South West Water and Anglian, have agreed to moderate price increases scheduled for April, was the catalyst for a sharp rise in water company shares.

The sector has been restrained recently by the election worries and concern that Ofwat, the industry watchdog, may come down hard on the water companies after the big profits and dividends announced this year.

Mr Steve Doe of Smith New Court said: "This is good news for the sector, in that it removes the main uncertainties; I think the shares will go ahead from these levels."

The best performers on the day were Anglian, up 14 at 399p, Yorkshire, 12 higher at 416p, and Thames and Southern, which rose 10 each to 383p and 346p respectively.

Severn-Trent, which settled 9 higher at 339p, were already pushing ahead before the Ofwat news, after Hoare Govett highlighted the stock in a note labelled "long-term attractions". Hoare is extremely bullish on Severn-Trent's move into the waste sector via its acquisition of Biffa from BET. Hoare said: "In the longer term, water companies with significant earnings from waste will be accorded higher price earnings ratios by the market."

Asda still active

There was no relief for Asda shares yesterday from the hectic trading which greeted Monday's announcement of the widely predicted £357m rights issue. Turnover was a hefty 19m shares, reflecting substantial two-way trading, much of which was again via the inter-dealer broker network, which ensures anonymity.

The shares picked up to 47p at the outset, stimulated by persistent suggestions that a foreign stakebuilder had reappeared. In spite of a flurry of sell orders from UK institutions the stock held at 47p to close 2 up on the day.

County NatWest said Asda's profits would benefit from interest saving on the rights money but that longer term prospects would be unaltered. "Our fundamental concerns remain . . . sell the rights."

Turnover in British Gas expanded sharply to reach 19m shares, the highest level since late-April. The shares powered ahead to close 7 up at a peak of 289p, reflecting what some specialists said was the market's reaction to perceptions of a lessening regulatory risk, evidenced by the Ofwat response on water charges.

BP managed "a rather unconvincing" 4 rise to 342p, as one dealer put it, while attempts to drive Shell higher ran into frequent bouts of selling pressure, prompted by continuing worries about the potential growth in Shell's dividends. Shell settled unchanged at 508p with a heavy 8.2m shares traded. Talk of a profits downgrade restrained Ultramar, 235p.

A share placing and increased interim loss for Davis & Newman, the parent company of UK airline Dan-Air, sent the shares tumbling yesterday.

By the close the shares had plunged 85 to 70p. The company plans to raise £49.3m through the placing of 107.5m new shares at 50p apiece. The placement will increase the company's share capital by 15 times. Davis also said that first-half losses had deepened to £30.4m from £18.7m a year earlier, and predicted full-year losses of around £35m but a turnround of £20m in profits the following year.

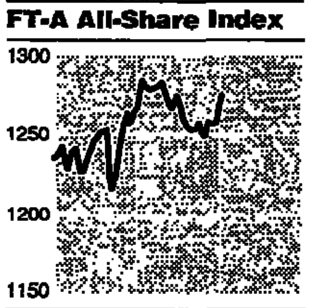
Mr Ian Wild at BZW said: "The results are every bit as bad as the City had expected." However, he added that he was confident of a better outlook for the company in 1992.

Talk of an imminent bid for a Footsie stock led market eyes again to the food manufacturing arena and back to old bid favourites Cadbury-Schweppes and United Biscuits.

Turnover, however, in both stocks was again unremarkable; only 1.8m Cadbury shares changed hands while turnover in Biscuits barely reached the 1m mark. The latter's share price added 10 at 414p – up 17 in two sessions – while the former settled 15 ahead at 438p for a two-day gain of 23.

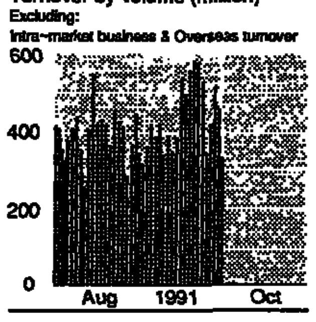
Philip Morris, the American food group, remained firm favourite to launch an offer in the sector.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Northern Foods, recently installed in the FT-SE 100 index and a prime target for index tracking funds, advanced 12 to 547p.

A profits upgrade by UBS Phillips & Drew was thought to have been responsible for the latest uptick in Unilever shares, which closed 12 higher at 795p on relatively heavy turnover of 2.9m.

The big food retailers came in for another strong wave of institutional buying. Argyll, 8 up at 292p, J. Sainsbury, 7 ahead at 361p, and Tesco, 7 firmer at 256p, are poised to win market share from an ailing Asda, it was said.

Sears recovered sharply from recent weakness as the company revealed interim profits of £4.6m compared with £62.4m. Traders were particularly relieved that the dividend was maintained. The shares were 6 better at one point, but sellers moved in to leave the price at 94p, up 4 on balance. Turnover was a busy 11m.

Carlton Communications slid 20 to 524p as Lehman Brothers trimmed its forecast for the year just ended from £94m to £87¾m. Mr Christopher Alexander at Lehman said domestic sales of video special effects generators had been slow.

There was no stopping holiday company Airtours following the optimistic statement from the company on Monday. The shares built on the previous day's 33p rise to break through the £8 barrier briefly yesterday. They settled at 795p for a gain on the day of 17.

Another tour operator, Owners Abroad, staged a more wholehearted catching up than during the previous session. The shares gained 6 to 116p, within 2p of the stock's record high set in 1987.

Music publisher and retailer Boosey and Hawkes jumped 40 to 830p, the third new high in as many days.

Blenheim climbed 13 to a new peak of 393p after the company paid £7.5m to a subsidiary of Reed International for Men's and Boy's Wear Exhibitions.

Clothing manufacturer Claremont Garments, which demerged from Alexon in the summer and concentrates on supplying to Marks and Spencer, rose 8 to 196p after a confident trading statement.

A profits slide for A. Beckman, the textile and property investment and trading company, was already discounted in the market and the shares advanced 8 to 81p.

Lucas Industries retreated 8 to 140p on turnover of 3m. S.G. Warburg and Morgan Stanley were reported to have been trying to place sizeable lines of stock.

Smiths Industries gave up 7 to 270p, with UBS Phillips & Drew, the company's broker, reported to have had a large line of stock on its books.

MARKET REPORTERS:
Daniel Green,
Peter John, Joel Kibazo,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

NEW HIGHS AND LOWS FOR 1991

[illegible]

FINANCIAL TIMES STOCK INDICES

	Oct 1	Sept 30	Sept 27	Sept 26	Sept 25	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.56	87.44	87.28	87.32	87.36	78.47	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.96	96.95	96.84	97.00	97.06	86.49	97.13 (24/9)	90.58 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2035.9	2021.6	2018.8	2025.2	2028.9	1594.7	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	159.9	155.6	158.1	183.1	163.7	184.8	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2645.6	2621.7	2599.0	2595.6	2597.8	2056.5	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1178.95	1171.82	1169.39	1169.39	1171.08	-	1198.60 (3/9)	936.62 (16/1)	1198.60 (3/9/91)	936.62 (16/1/91)
●Ord. Div. Yield	4.61	4.64	4.66	4.69	4.68	5.97				
●Earning Yld % (full)	7.36	7.44	7.50	7.52	7.50	12.51				
●P/E Ratio (Net) (*)	16.80	16.76	16.63	16.59	16.63	9.88				
SEAQ Bargns 4.45pm	29,687	26,640	34,672	29,428	26,595	15,393				
Equity Turnover (£m)†	-	714.64	1006.94	1116.87	1110.02	881.10				
Equity Bargains†	-	27,255	34,923	30,411	28,253	17,167				
Shares Traded (mil)†	-	338.0	458.3	452.8	512.8	384.1				

Ordinary Share Index, Hourly changes — Day's High 2039.4 — Day's Low 2028.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2036.8	2036.7	2030.7	2035.3	2036.8	2033.1	2030.7	2029.9	2031.2

FT-SE 100, Hourly changes — Day's High 2645.6 — Day's Low 2637.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2643.4	2644.5	2640.6	2640.9	2644.3	2641.8	2640.8	2638.3	2640.2

FT-SE Eurotrack 200, Hourly changes — Day's High 1179.60 — Day's Low 1175.98

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1178.99	1176.57	1176.93	1177.91	1178.18	1177.76	1177.33

GILT EDGED ACTIVITY

Indices	Sept 30	Sept 27
Gilt Edged Bargains	78.2	84.4
5-Day average	84.6	84.8

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.
London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

BELIEF that the political status quo would be maintained until the Spring dominated the derivative markets and ensured that a steady rise in the Footsie future contract was not checked by profit takers, writes Peter John.

One observer said: "The market offered a fantastic selling opportunity which nobody took."

The December Footsie contract opened up sharply with the Prudential insurance company said to be a heavy buyer. It settled later on but traded at a premium of around 50 points to the underlying cash market against its estimated fair value – the premium which allows for dividend flow and financing costs on the underlying Footsie stocks – of 42. The December closed up 26 at 2700, a premium of 57 to the Index.

On LTOM, turnover of 29,607 was enlivened by a heavy trade in the December Footsie options. BT was the top stock option performer with nearly 3,500 lots dealt. There was also significant volume in Amstrad, which reports final results tomorrow. One house sold 2,000 March 50 calls.

Generally, there was said to be hefty put selling by institutions, signalling an underpinning of confidence in the cash market.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104¼	94½	Treas 10pc 2003	103½	+⅛	9.66	9.47
111	102	Treas. 11½pc 2001-04	110¾xd	+⅛	10.39	9.75
62¾	53⅝	Funding 3½pc '99-04	61⅜	+⅛	5.65	8.38
100⅜	90⅞	Conversion 9½pc 2004	100¼xd	+⅛	9.49	9.46
25⅜	24⅝	Conversion 9½pc 2004 A	25¼	+½	9.52	9.48
100⅜	90⅞	Conversion 9½pc 2005	100⅛xd	+⅛	9.48	9.45
121⅛	111	Treas. 12½pc 2003-05	121	+½	10.33	9.51
		Over Fifteen Years				
88¾	79⅞	Treas. 8pc 2002-06‡‡	88¼xd	+⅛	9.07	9.45
115⅜	105⅞	Treas. 11¾pc 2003-07	115⅛	+⅛	10.21	9.50
93⅞	84⅛	Treas 8½pc 2007 ‡‡	92¾	+⅛	9.16	9.37
129⅜	118⅞	Treas. 13½pc '04-08	128⅝	+⅛	10.50	9.50
98	88⅞	Treas. 9pc 2008 ‡‡	97¼xd	+⅛	9.25	9.30
89⅞	80	Treas 8pc 2009	88⅞	+⅛	9.03	9.31
97⅞	88⅛	Conv 9pc Ln 2011 ‡‡	97⅜	+⅛	9.26	9.30
98⅛	91⅞	Cov. 9pc 2011 A	97¼	+⅛	9.51	9.55
66	58⅞	Treas. 5½pc 2008-12‡‡	65⅛	+⅛	8.40	9.28
85⅞	76⅞	Treas. 7¾pc 2012-15‡‡	85	+⅛	9.12	9.34
125¼	113⅛	Exch. 12pc '13-'17	124¼	+⅛	9.65	9.36
		Undated				
41¾	37⅞	Consols 4pc	41⅛	+⅛	9.65	-
37¾	33⅞	War Loan 3½pc‡‡	37⅛	+⅛	9.43	-
60⅞	57¼	Conv. 3½pc '61 Aft	60½	.....	5.79	-
30⅞	28¼	Treas. 3pc '66 Aft	30⅛xd	–⅛	9.86	-
26⅛	23⅝	Consols 2½pc	25⅞xd	–⅛	9.64	-
26⅛	23⅞	Treas. 2½pc	25⅞	–⅛	9.73	-

Index-Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or –	(1)	(2)
122¼	115⅛	Treas. 2pc '94	(102.9)	122⅛	–⅛	2.55	3.54
176⅛	168⅞	Do. 2pc '96	(67.9)	176⅛	–⅛	3.30	3.84
144⅛	137⅛	Do 2½pc '01	(78.3)	144⅛	–⅛	3.87	4.17
140⅛	133	Do. 2½pc '03	(78.8)	140⅛	–⅛	3.92	4.18
142¾	135	Do. 2pc '06	(69.5)	142⅛	–⅛	4.01	4.22
130⅝	124⅛	Do. 2½pc '09	(78.8)	130⅛	–⅛	4.05	4.24
134¼	128⅞	Do. 2½pc '11	(74.6)	134⅛	–⅛	4.05	4.23
110⅜	105⅞	Do. 2½pc '13	(89.2)	110⅛	–⅛	4.07	4.23

[illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
107⅞	95⅞	African Dv Bk 11¼ Ln 2010	107⅛	+⅛	10.38	10.24
102⅝	91⅞	Asian Dev Bk 10¼pcLn2009	101⅞	+⅛	10.05	10.00
116⅛	105⅞	Int-Am Dev Bk 12½pc 2003	115⅛	+⅛	10.84	10.17
97⅞	86⅞	Do. 9¾pcLn 2015	97	+⅛	10.05	10.07
125	101	Utd. Mexican States 16½pc 2008	124	.....	13.31	12.96

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104½	100½	Birmingham 11½pc 2012	104½	.....	11.00	10.90
98½	93½	GLC 6¾pc 1990-92	98½	.....	6.85	9.40
118½	110½	Leeds 13½pc 2006	118½	.....	11.39	11.10
31	28	Liverpool 3½pc Irred	31	.....	11.29	-
27	26	LCC 3pc '20 Aft	27	.....	11.11	-
105½	97½	Manchester 11½pc 2007	105½	.....	10.90	10.80

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
95	84½	5th Rhod. 87-92 Asstd	95	.....	4.74	-

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
106	102	N'wide Anglia 3¾pc Ln 2021	105½	.....	-	5.38
107¾	104	Do. 4.25pcIL '24	107¾	.....	-	5.02

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	53	.....	5.66	9.95

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Shell UK head of media relations

■ Ms Fran Morrison (pictured) has been appointed as head of media relations at SHELL UK with effect from October 1. Mr John Pike, the present media relations manager, has retired from the same date after 36 years service with Shell.

Before joining Shell, Ms Morrison spent 15 years with BBC TV and Radio News and Current Affairs as a reporter and presenter. She was the first woman presenter of "Newsnight" at its launch in 1979. For the last five years she has worked as a freelance broadcasting consultant to a wide range of corporate clients.

■ ALLIED-LYONS, the drinks and food group, named Mr John Robb as a non-executive director. This is the first non-executive appointment since the new management led by Mr Michael Jackaman (chairman) and Mr Tony Hales (chief executive) took over in July.

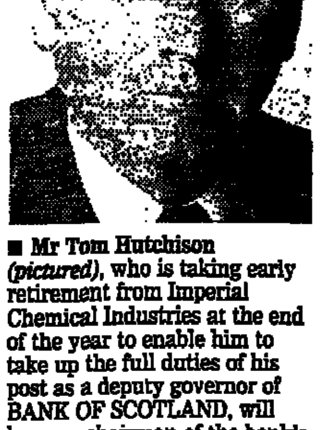
Mr Robb, 55, is chief executive of Wellcome Plc and non-executive deputy chairman of NFC. Prior to joining Wellcome in 1988 he spent 22 years with Beecham Group, where he became group managing director in 1985.

■ TSB GROUP, the banking and insurance concern, has appointed Mr Guy McCracken as a non-executive director. He is an executive director of Marks and Spencer.

■ Mr David Kies, partner at SULLIVAN & CROMWELL, has been appointed to head the New York law firm's London office. Mr Kies, aged 47 and admitted to the New York Bar in 1968, took up the position with effect from October 1.

■ Mr B.A. Rayner has joined TEATHER & GREENWOOD, agency stockbrokers, as an associated member. He will provide a research facility in the areas of stores and retail food.

■ BABCOCK FULTON PREBON (HONG KONG) said it has secured the services of three of the leading capital markets brokers in Asia, Mr Len Harvey, Mr Gearoid Stanley and Mr Mike Young, all formerly with CMTS Asia. They will join the board of directors in BFP's offices in Hong Kong and have responsibility for capital markets products, including interest rate swaps and derivatives. Mr Harvey will be the managing director.



■ Mr Tom Hutchison (pictured), who is taking early retirement from Imperial Chemical Industries at the end of the year to enable him to take up the full duties of his post as a deputy governor of BANK OF SCOTLAND, will become chairman of the bank's London local board with effect from January 1. He has other non-executive roles with the bank.

Mr Hutchison will also be particularly involved in the activities of the bank's international division. He has served for over 37 years with ICI and has been an executive director of the company since 1985.

■ Mr G. Hoyer Millar is to retire as a non-executive director of J. SAINSBURY and chairman of Homebase. He will leave the Sainsbury board on December 13, his 62nd birthday, after 27 years with the company.

Mr Dino Adriano, presently managing director of Homebase, will, upon Mr Millar's retirement, be appointed chairman and managing director of Homebase.

■ At SIEBE, the international engineering and controls group, Sir Philip Beck has joined the main board as a non-executive director. Sir Philip is currently chairman of John Mowlem and has held this office since 1979.

■ LONDON & EDINBURGH INSURANCE GROUP announced that chairman and managing director Mr Rex Barberis will be retiring at the end of this year. Nominated to succeed him from January 1 is Mr Bill Stanway, currently deputy group managing director.

■ MOTORENT (UK), one of Britain's largest independent vehicle leasing and management companies, has appointed Mr George Puttock as director and general manager. He was finance and administration manager.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories‡	31	+⅛	$1.00	–	1.9
385p	252p	♦Allegheny & W 1c	253p		30c	–	7.0
10⅛	667p	Amdahl 5c	758pxd	–6	10c	–	0.8
42⅛	25⅛	Amer. Cyanamid $5	37½	–⅛	$1.50	–	2.4
17⅝	9¼	Amer. Express 60c	14¼xd	–⅛	$1.00	–	4.0
24½	15¼	American T. & T $1	21½xd	+⅛	$1.32	–	3.6
38⅞	32½	Ameritech $1	35	+⅛	$3.40	–	5.7
26	12	BankAmerica $1	23xd	–⅛	$1.20	–	3.1
35⅛	20	Bankers N.Y. $1	34xd	+⅛	$1.52	–	8.4
30½	24¼	Bell Atlantic $1	26xd	+⅛	$2.52	–	5.7
31¼	25	BellSouth Corp	28½	+¼	$2.76	–	5.7
11¼	6	♦Bethlehem Steel $8	7xd		40c	–	2.5
1839p	1046p	Bowater Inc	1352p	–4	$1.20	–	5.2
54	37	CPC Intnl. 25c	51¼xd	+⅛	$2.00	–	2.3
930p	420p	California Engy	859p		–	–	–
50	28¼	Campbell Soup 15c	43xd	–⅛	$1.16	–	1.6
12¼	5	Chase Manhattan $12½	10xd	–⅛	$1.20	–	6.9
9	5½	Chrysler $6¼	5xd	–⅛	60c	–	6.4
10⅛	5⅞	Citicorp $1	8xd	+⅛	$1.00	–	7.2
25	21	Colgate-Palmolive $1	24xd	+⅛	$1.06	–	2.5
928p	438p	Cont'l Bank Corp $4	630p	+2	60c	–	5.6
21⅛	13	Dana Corp $1	17¼xd	–⅛	$1.60	–	5.5
1257p	203p	Data General	1116p	–104	–	–	–
22¼	12⅞	Dial Crop $1.5	21¼xd	–⅛	$1.40	–	3.9
29⅝	20¼	Dun & Bradstreet $1	27	+⅛	$2.16	–	4.7
40	24¼	Eaton Corpn. 50c	35¾	–⅛	$2.20	–	–
8½	5½	Echlin Inc	6¼xd	–⅛	70c	–	6.1
20⅛	24	FPL Group 1c	29¼xd	+⅛	$2.40	–	7.4
30	17	Fluor Corp 62½pc	24xd	+⅛	32c	–	0.8
23¼	13¼	Ford Motor $1	17		$1.60	–	3.5
46	28	Gen. Elect. 63c	39¾xd	+⅛	$2.04	–	3.0
566p	270p	♦General Host Corp $1	506p		34c	–	4.0
45¼	20⅞	Gillette $1	23xd	+⅛	62c	–	1.6
18¼	794p	Hasbro Inc 50c	17		24c	–	0.8
38½	21¼	Honeywell $1½	31xd	+⅛	$1.50	–	2.9
23¼	17⅞	Houston Inds.‡	22¼	+⅛	$2.96	–	7.7
72	55	IBM Corpn $1¼	59¼xd	+1¼	$4.84	–	4.8
32½	18⅞	Ingersoll-Rand $2	28¼xd	–⅛	$1.32	–	2.8

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CANADIANS

[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

For Tomkins see Industrials

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

1991 High	Low	Stock	Price	+ or -	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
134	94	Aberforth Smaller Cos.	134	+1	H4.5	4.5	124.2	-7.1
56	25	Do. Warrants	56	.....				
109	100	Aberforth Split Lev Inc.	109	.....	M9.0	11.0		
121	95½	Do. Cap 10p	121	+1				
232	196	Do. Units	232				206.9	-12.1
336	301	Abingworth 10p	322		4.0	1.7	373.0	13.7
108	66	Abtrust New Dawn	96		0.5	0.7	107.6	10.8
38	18	Do. Warrts	29	-1				

[illegible]

INVESTMENT TRUSTS—Contd

1991 High	Low	Stock	Price	+ or -	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
67	51	Nth American Gas	56	...	3.75	8.9	72.6	22.8
20	4	Do. Warrants	6	...				
102	65½	Nth. Brit. Canadian	101	.....	h3.06	4.0	108.5	6.9
90	64	Olim Conv. Tst.	84	.....	18.15	12.9	77.4	-7.9
141½	108	Do Zero Cpn Prf	141½					
249	183	Overseas Inv Tst.	239	+1	2.4	1.3	273.3	12.6
226	133	Pacific Assets 50p	206	-1	s0.88	0.6	210.1	1.9

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
518	303	Singapore SESDAQ	347	.....				
56	33	Singer & Friedlander	47	.....	2.5	1.7	7.1	10.8
145	95	Smith New Court	125	.....	3.5	1.2	3.7	28.0
87	61	Do. Cnv Prf 50p	76	.....	6.5		11.4	
131	121	South America Fund	121	.....				
48½	44½	Do. Warrants	45	.....				
419	254	South East Asian Wnts	347	.....				
58	27	Sterling Trust 10p	51	.....	s4.0	0.5	10.5	(4.7)

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
53	24	ACM 50c.	52	+1	♦03c	♦	2.4
27	13	ACM Gold	18½	.....	05c	♦	13.9
3	3	Arboyne 50c	3				
36½	20	Aztec Expln.	33		Z01c		1.4
49	25	Bougainville 1 Kina	33				
662	355	CRA $2	629	+19	†044c	1.9	‡

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▌ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net [illegible] ex dividend; sc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	648	
Finlay Pkg. 5p	21	
Holt Lloyd 25p	[illegible]	
Hilton Hldgs.	[illegible]	
United Drew	175	

IRISH

Cap 8¾% Ln. 2010	£94¾	
9pc Cap Ln. 1996	£98¾	......
Fin. 13% 97/02	£114¼	......
Arnotts	205	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	68
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit. Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	88
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds.	13
Marks & Spencer	21
Midland Bk.	18
Nat West Bk.	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	38
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Ariva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	117.0	117.0	124.1	+0.5	9.27
High Inc Equity	6	137.0	140.5	149.4	-0.7	5.69
Worldwide Bond	6	211.1	211.1	223.9	+1.1	6.70
Capital Growth						
American Growth	6	200.4	200.4	214.3	+1.8	1.02
Asian Pacific	6	118.1	120.6	128.2	+0.92	1.22
Assets & Earnings	6	186.8	190.6	202.7	+1.9	2.86
Capital Reserve Acc	0	109.41	109.41	109.49	+0.11	6.93
Capital Reserve Inc	0	86.48	86.48	86.54	+0.09	6.93
Commodity & Energy	6	72.29	73.29	78.38	-0.29	1.09
1992 Enterprise	6	66.81	66.81	71.45	-0.63	3.07
Euro Capital Acc	6	87.82	87.82	93.92	-0.91	1.44
Euro Capital Inc	6	83.91	83.91	89.74	-0.86	1.45
General	6	178.2	178.2	190.5	-1.4	2.62
Japan	6	101.4	102.5	109.0	+0.8	0.00
Mastertrust	6	91.93	91.93	98.32	-0.59	2.60
UK Growth Acc	6	176.3	176.3	188.5	-6.0	2.40
UK Growth Dist	6	112.1	112.1	119.8	-5.2	2.46
US Emerging Cos	6	71.28	72.62	77.25	+0.77	0.00
Income & Growth	6	315.0	315.0	336.8	-2.3	4.16
Ethical	6	54.06	54.06	57.81	-0.85	2.70
International	6	62.29	63.17	67.20	+0.49	1.91
Dividend & Growth	6	51.11	52.31	55.64	+0.43	5.39
Global Gwth & Sec	6	52.68	52.95	56.32	+0.15	1.78
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1112.0	1112.0	1171.0	—	0
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Aber Inc & Growth	5¼	30.25	30.25	32.09	+0.19	2.47
Cash	—	50.32	50.32xd	50.32	+0.01	9.87
European	5¼	70.28	70.28	74.63	-0.15	0.30
European Income	5¼	72.67	73.15xd	77.17	-0.26	1.58
Exempt	1	807.1	807.1	830.9	+8.7	4.92
Extra Income	5¼	40.67	40.67xd	44.10	+0.41	5.42
Far East Emrg Econs	5¼	47.13	47.13	50.48	+0.10	1.27
Fund Inv Tst	5	117.1	118.8xd	126.8	-0.7	1.35
Fund Inv Tst Acc	5	189.5	192.2xd	205.2	-1.2	1.35
Gilt & Fixed Int	5¼	16.53	16.62xd	17.74	+0.04	11.18
Japan	5¼	159.8	159.8	169.6	+1.1	0.00
Pacific	5¼	35.71	35.71	38.04	+0.14	0.40
Property Share	5¼	50.82	52.44	55.98	+0.22	4.49
UK Growth	5¼	36.11	36.11	38.88	+0.39	3.58
Bishopsgate Progressive Mgmt Co (1200)F						
15 St James' Place, London SW1A 1NW 071-493 8111						
Progressive Inc	5	18.53	18.53	19.56	+0.16	0.71
Progressive Acc	5	27.92	27.92	29.47	+0.24	0.71
International Inc	5	19.41	19.41	20.49	—	0.97
International Acc	5	26.34	26.34	27.80	—	0.97
Can & Foreign Inc	5	229.6	229.6	242.3	—	0.40
Can & Foreign Acc	5	274.4	274.4	289.6	—	0.40
Special Sits Inc	5	206.5	206.5	217.9	—	0.66
Special Sits Acc	5	224.3	224.3	236.7	—	0.66
PEP Inc	5	137.4	141.2	149.0	—	1.51
PEP Acc	5	146.7	150.7	159.1	—	1.51
Growth Inc	5	81.09	81.09	85.58	—	0.39
Growth Acc	5	81.92	81.92	86.46	—	0.39
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F						
5 Giltspur St, London EC1A 9DE 071-236 6441						
Dolphin Special Sits	5½	123.2	123.2	131.7	-0.2	3.35
Dolphin Dividend	5½	61.14	61.14	65.39	+1.04	5.63
Dolphin Int Inc & Gth	5½	158.3	158.3	169.3	+1.8	4.19
Dolphin UK & Gen	5½	35.12	35.24xd	37.68	+0.54	3.05
Dolphin Fund of Fnds	5½	47.76	49.92	53.38	+0.09	1.20
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	80.16	80.16xd	85.73	-0.26	2.71
Do (Accum)	6	86.01	86.01	91.99	-0.28	2.71
Service Cos	6	69.59	69.59	74.43	+0.66	2.46
Do (Accum)	6	73.21	73.21	78.30	+0.69	2.46
Income Growth	6	44.22	44.22	47.30	+0.38	5.18
Do (Accum)	6	62.26	62.26	66.59	+0.42	5.18
Higher Yield	6	33.13	33.13xd	35.44	+0.19	5.18
Do (Accum)	6	42.45	42.45	45.40	+0.24	5.18
American Gth Inc	6	32.95	32.95	34.83	+0.18	1.28
Do (Accum)	6	33.17	33.17	35.47	+0.18	1.28
European Growth	6	24.96	24.96xd	26.69	-0.07	1.88
Do (Accum)	6	25.81	25.81	27.60	-0.07	1.88
Global Bond Inc	6	23.09	23.15	24.76	+0.02	6.58
Do (Accum)	6	26.68	26.75	28.61	+0.02	6.58
Managed P'folio Inc	6	25.68	25.77xd	27.56	+0.14	—
(Do Accum)	6	25.68	25.77	27.56	+0.14	—
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5						
Mngd P'folio Inc	6	83.19	83.19	88.60	+0.65	2.35
Mngd P'folio Acc	6	153.5	153.5	163.5	+1.20	—
UK General	6	122.1	122.1	130.0	+0.90	3.90
Conv & General	6	17.99	17.99xd	19.16	+0.08	9.93
European Inc	6	20.60	20.60xd	22.17	-4.00	0.52
European Acc	6	21.05	21.05	22.66	-4.09	—
Exempt	—					
Financial	6	102.2	102.2xd	108.8	+0.40	4.34
Foundation	6	63.85	65.54xd	69.80	+0.37	4.02
Genesis	6	35.97	35.97	38.56	+0.02	0.10
Growth Inc r(5-1)	5	24.56	24.56	26.22	+0.31	3.53
Growth Acc r(5-1)	5	27.55	27.55	29.42	+0.35	—
High Income	6	63.15	63.15xd	69.39	+2.61	6.30
Income	6	98.60	98.60xd	105.6	-2.98	5.13

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Marks & Spencer Unit Trust Ltd (1200)F						
PO Box 410, Chester X, CH99 9QG 0244 680066						
M & S Inv P'folio	5½	115.1	115.1	123.1	+1.1	3.16
Do Accum	5½	123.2	123.2	131.7	+1.1	3.16
UK Sel P'folio	5½	100.4	100.4	107.3	+1.2	3.99
Do Accum	5½	106.9	106.9	114.3	+1.3	3.99
Marlborough Fund Managers Ltd (1630)F						
3 Victoria Square, Bolton, BL1 1LA 0204 364842						
Managed Tst	5	49.95	50.31xd	53.52	—	5.03
Martin Currie Unit Trusts Ltd (0905)H						
Melville St, Edinburgh EH3 7HF Dlng 031-220 4924						
Murray Johnstone UT Mgmt (1000)H						
7 West Nile St, Glasgow G2 2PX 0345 090 933						
Acumen	5	71.82	72.08	76.93	+0.45	5.26
Acumen Reserve	5	65.55	65.55	67.50	—	9.81
American Income	5	127.01	127.10	134.60	+0.86	3.09
Equity Income	5	85.74	85.74xd	91.50	+0.69	5.77
European	5	53.71	53.71xd	57.32	-0.13	1.71
Far Eastern	5	107.55	107.60	114.80	+1.00	1.82
Smaller Cos	5	49.01	49.01	52.30	+0.20	3.07
Olympiad	5½	47.14	47.14	50.28	+0.62	1.99
Olympiad Income	5½	44.06	44.06	46.99	+0.34	5.58
UK Growth	5	76.74	77.27	82.47	+0.58	1.87
NFU Mutual Unit Mngrs Ltd (1400)F						
Rothschild Fund Management—Contd						
RAM FSAVC Scheme						
UK Major Co's	5¼	74.16	75.28	79.[illegible]	[illegible]	
UK Smaller Co's	5¼	50.75	52.30	55.0[illegible]	[illegible]	
UK Income	5¼	68.01	69.16	72.7[illegible]	[illegible]	
America	5¼	65.87	66.51	70.0[illegible]	[illegible]	
Japanese	5¼	42.85	43.41	45.6[illegible]	[illegible]	
European	5¼	62.42	62.96	66.2[illegible]	[illegible]	
Canadian	5¼	48.65	50.09	52.7[illegible]	[illegible]	
Australasian	5¼	39.21	39.76	41.8[illegible]	[illegible]	
Gilt	5¼	66.14	66.23	69.7[illegible]	[illegible]	
Deposit	5¼	67.73	67.73	71.2[illegible]	[illegible]	
Managed	5¼	71.92	72.93	76.7[illegible]	[illegible]	
Royal Life Fd Mgmt Ltd (1000)H						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon Unit Trust Managers Ltd (1400)F						
15 St Botolph St, London EC3A 7EE 071 226 6066						
Maldon General	0	120.9	120.9	124.0	—	4.69
Manulife Management Ltd (1200)H						
St George's Way, Stevenage Dealings 071-256 5858						
Growth Units	5¼	139.1	139.1xd	149.4	+1.6	3.74
Gilt & Fxd Int	5	151.8	151.8xd	159.6	+0.4	7.95
Intl Growth	5¼	147.1	147.1	157.9	+0.5	0.42
North American	5¼	96.58	96.55	103.5	-0.2	0.31
Far East	5¼	116.7	116.7	124.6	-0.9	0.48
UK Smaller Cos	5¼	110.9	110.9	118.0	+0.9	2.69
European	5¼	53.11	53.11	56.57	+0.02	1.16
Japanese Growth	5¼	37.66	37.66	40.19	-0.12	0.00
Managed P'folio	5¼	50.07	50.35	53.57	+0.31	1.55
High Income	5¼	152.5	152.5xd	165.2	+0.4	5.69
High Yielding Gilt	5¼	61.64	61.64	64.87	—	9.61
Cash	—	52.02	52.02	52.02	+0.01	9.05

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	167.0	167.0	178.4	+1.1	0.81
European Gth Inc	5¼	200.0	200.0	213.5	-0.8	0.00
European Gth Acc	5¼	200.0	200.0	213.5	-0.8	0.00
Intl Gwth	5¼	143.6	143.6	152.8	+0.6	0.00
UK Equity Inc	5¼	118.9	118.9xd	127.6	-2.9	6.32
UK Equity Acc	5¼	137.9	137.9xd	148.0	+1.0	6.32
UK Ind Tracker Inc	5	127.1	127.1	135.7	+2.0	3.62
UK Ind Tracker Acc	5	138.2	138.2	147.6	+2.2	3.62
US Eq Ind Tracker Inc	5	140.9	140.9xd	151.1	+1.4	2.98
US Eq Ind Tracker Acc	5	146.3	146.3xd	156.9	+1.4	2.98
Japan Tracker	5	62.80	62.80	66.60	+0.64	0.00
Asian Tracker	5¼	80.40	80.40xd	86.50	+0.7	1.81
Managed Inc	5¼	101.8	101.8	109.5	+0.2	1.92
Managed Acc	5¼	103.4	103.4	111.3	+0.2	1.92
Cash Inc	0	100.48	100.48xd	100.48	+0.02	10.50
Cash Acc	0	111.04	111.04xd	111.04	+0.02	10.50
Europa	5¼	104.5	104.5	111.9	-0.1	0.00

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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INSURANCES

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Fixed Int. Dep. Acc.	321.7	338.7	.....	−
Equity Acc.	1046.5	1201.6	+5.3	−
Property Acc.	487.4	513.1	+0.1	−
Far East Acc.	202.0	212.7	−0.8	−
European Acc.	25.6	27.0	.....	−
Managed Cap.	435.7	458.7	+0.7	−
Managed Acc.	814.6	857.5	+3.2	−
O'seas Earnings Acc.	728.6	767.0	+3.6	−
Gilt Edged Acc.	372.5	392.2	−1.5	−
American Equity Acc.	549.3	578.3	+1.8	−
American Man. Acc.	244.6	257.5	−0.4	−
American Prop Acc.	124.5	131.1	−1.5	−
Gen 4				
Fixed Int Dep Acc	26.8	28.3	.....	−
Equity Acc.	27.4	28.9	+0.2	−
Property Acc.	23.3	24.6	.....	−
Far East Acc.	23.5	24.8	+0.2	−
European Acc.	21.5	22.7	−0.1	−
Managed Acc.	27.3	28.8	+0.2	−
Overseas Acc.	28.2	29.7	+0.2	−
Gilt Acc.	28.9	30.5	.....	−
Am Equity Acc.	27.1	28.6	+0.2	−
Am Managed Acc.	26.5	27.9	+0.2	−
Am Property Acc.	21.5	22.7	+0.1	−
Pension Funds				
F.I. Dep. Cap.	355.4	374.2	.....	−
F.I Dep Acc.	660.0	694.8	+0.1	−
Prop. Cap.	508.2	535.0	.....	−
Prop Acc.	1043.7	1098.7	+0.1	−
Man. Cap.	908.2	956.0	+5.1	−
Man. Acc.	1865.4	1963.6	+14.8	−
Gilt Edged Cap.	364.7	383.9	+0.7	−
Gilt Edg Acc.	610.6	642.8	+2.1	−
Eq. Cap.	1491.4	1569.9	+11.1	−
Eq. Acc.	2319.8	2441.9	+20.7	−
Am. Eq Cap.	185.8	195.6	+1.2	−
Am Eq Acc.	243.2	256.0	+1.6	−
Far East Cap	220.3	231.9	+2.3	−
Far East Acc.	288.3	303.5	+3.1	−
Euro Cap	29.1	30.7	−0.1	−
Euro. Acc.	34.3	36.2	−0.1	−
B.S. Cap	413.3	434.0	+0.1	−
B.S. Acc.	745.8	783.1	.....	−
D.A.F. Cap.	318.7	318.7	+0.1	−
D.A.F. Acc.	512.4	512.4	+0.1	−
Mortgage Cap	190.6	200.7	+0.1	−
Mortgage Acc	249.5	262.7	+0.1	−
Barlng Funds				
Pen Eqp Cap.	32.3	34.1	+0.2	−
Pen Eqp Acc.	36.5	38.5	+0.2	−
Pen Am Eq Cap	36.1	38.0	+0.3	−
Pen Am Eq Acc.	40.7	42.9	+0.4	−
Pen Far East Cap	29.2	30.8	+0.3	−
Pen Far East Acc.	33.0	34.8	+0.4	−
Pen Euro Cap.	39.7	41.8	.....	−
Pen Euro Acc.	44.8	47.2	.....	−

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	109.0	114.7	----	-
Pension Managed Fd	108.7	114.5	----	-
Life Deposit Fd	109.7	115.5	----	-
Pension Deposit Fd	115.9	122.0	----	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	167.5	176.4	----	-
UK Equity	179.6	189.1	----	-
Overseas Equity	132.2	139.2	----	-
Fixed Interest	152.0	160.0	----	-
Property	136.4	143.6	----	-
Index Linked	150.8	158.8	----	-
Deposit	161.6	170.2	----	-
With Profits (B)	132.3	139.3	----	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	362.9	382.0	+2.6	-
UK Equity	465.2	489.7	+5.0	-
Overseas Eq	345.5	363.7	+1.1	-
American	285.4	300.5	+1.2	-
Far East	375.0	394.8	+4.6	-
Property	194.9	205.2	----	-
Fixed Int	269.2	283.4	+0.2	-
Indexed Gilt	160.7	169.2	-0.1	-
Deposit	186.0	195.8	----	-
With Profit	103.4	108.9	+0.1	-
Pension Fund (Accum Units)				
Managed	521.4	548.9	+3.6	-
UK Equity	627.8	660.9	+6.7	-
Overseas Eq	578.9	609.4	+1.6	-
American	362.2	381.3	+1.2	-
Far East	609.1	641.2	+3.5	-
Property	248.0	261.1	+0.1	-
Fixed Int	336.5	354.3	+0.6	-
Indexed Gilt	175.5	184.8	-0.1	-
Deposit	262.7	276.6	+0.1	-

Providence Capitol Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768808

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	234.9	247.8	+2.4	-
UK Fixed Int Acc	186.0	196.3	----	-
Intl Equities Acc	175.3	185.0	+1.0	-
UK Managed Acc	178.3	188.0	+1.1	-
Property Acc	226.6	239.1	----	-
Money Acc	131.8	139.1	+0.1	-
Special Market Acc	147.6	155.7	-0.1	-
Japan Equity Acc	102.8	108.5	+1.0	-
North American Acc	103.1	108.8	+0.7	-
Pacific Acc	92.9	98.1	+0.9	-
Technology Acc	123.9	130.8	-0.3	-
Nat Resources Acc	53.3	56.3	+1.5	-
European Acc	101.1	106.7	-0.3	-
Residential Prop Acc	94.6	99.8	-1.9	-
Swiss Equities Acc	33.3	35.2	-0.1	-
Hong Kong Acc	67.4	71.1	+1.0	-
UK High Inc Eq Acc	76.9	81.2	+0.7	-
Int Fixed Interest Acc	59.8	63.1	+0.2	-
Int Managed Acc	56.7	59.8	+0.3	-
HIP Managed Acc	118.2	124.6	----	-
HIP Managed II Acc	103.4	109.0	+0.3	-
HIP Managed III Acc	110.5	116.5	+0.4	-
Total Investment Bond				
UK Equity Initial		159.5	+1.6	-
UK Fixed Int Initial		126.6	+0.1	-
Intl Equities Initial		118.4	+0.7	-
UK Managed Initial		121.3	+0.8	-
Property Initial		155.2	----	-
Money Initial		90.1	----	-
Special Market Initial		114.5	----	-
Japan Equity Initial		79.7	+0.7	-
North American Initial		79.9	+0.4	-
Pacific Initial		72.1	+0.7	-
Technology Initial		96.1	-0.2	-
Nat Resources Initial		41.4	+1.2	-
European Initial		90.6	-0.2	-
Residential Prop Init		90.3	-1.7	-
Swiss Equities Initial		31.8	-0.1	-
Hong Kong Initial		64.2	+0.8	-
UK High Inc Eq Init		73.3	+0.5	-
Int Fixed Interest Init		57.8	+0.2	-
Int Managed Init		54.9	+0.1	-
HIP Managed Init		114.7	-0.1	-
HIP Managed II Initial		101.7	+0.3	-
HIP Managed III Init		109.9	+0.4	-

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

GUERNSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Wells Fargo U.S. IT Fund

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Wells Fargo B Shs (z)	$11.84		.....	–
Xiphias Int USD	$1.0504		.....	–
Xiphias Int ECU	Ecu1.0688		.....	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase, ad ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firms in technical trade

The US dollar remained the focus of attention on the foreign exchange markets yesterday following the release of data which showed that the US economic recovery had slowed during September.

The dollar was firmer overnight in Far Eastern trading following a difficult day in Europe on Monday. Traders said that the firmer tone was due in part to technical factors as participants moved to cover short positions. The US currency moved to DM1.6690 by the close in Tokyo, having finished in Europe on Monday at around DM1.6625. This more positive sentiment was carried through to yesterday's opening in Europe, with the dollar starting in London at 1.6680.

The US National Association of Purchasing Managers index stood at 55 per cent during September, up slightly on 54.8 per cent registered in August and the highest level since December 1988. The index of leading US economic indicators for August was unchanged on the previous month, underlining that the pace of recovery has slowed.

Against this background the dollar weakened slightly, but remained firmly within the established trading range, closing at DM1.6655 in London.

Within the European exchange rate mechanism, sterling benefited from reports that a November general election has been ruled out by the Conservative government. The UK currency remained second from bottom within the ERM but strengthened its position during the morning session, rising to 0.46 per cent above the French franc, the weakest currency, before falling back to a 0.26 per cent divergence in the afternoon.

Sterling also gained early ground on the D-Mark, breaking through its DM2.92 central rate during the morning session before falling back to close at DM2.915, unchanged from Monday.

Analysts said that a general election is now unlikely to be called before next year. This was seen as reducing the chances of premature cut in UK interest rates.

The peseta remained firm after losing ground last week on expectations of an early reduction in Spanish interest rates.

News that the Italian government had reached agreement on a package of public spending cuts for the 1991 budget had little impact on the foreign exchange markets. Previous agreements aimed at lowering Italy's public sector deficit have proved unenforcable in practice. The Italian currency closed at L2179 against sterling, little changed on the day.

The Japanese authorities' decision to ease reserve requirements for banks was seen as contributing to a mild easing of monetary conditions. However the action was seen as primarily a move to assist the banking system rather than provide an immediate stimulus to economic activity. The market is already discounting a cut in Japanese interest rates. The yen closed at Y133.15 against the dollar, down from Y132.80 on Monday.

£ IN NEW YORK

Oct.1	Latest	Previous Close
£ Spot	1.7460-1.7470	1.7485-1.7495
1 month	0.78-0.77pm	0.78-0.76pm
3 months	2.00-1.97pm	2.00-1.97pm
12 months	6.96-6.90pm	6.96pm-6.86pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.1	Previous
8.30 am	91.2	91.1
9.00 am	91.2	91.2
10.00 am	91.2	91.2
11.00 am	91.2	91.1
Noon	91.2	91.1
1.00 pm	91.1	91.1
2.00 pm	91.1	91.1
3.00 pm	91.1	91.1
4.00 pm	91.1	91.1

CURRENCY MOVEMENTS

Oct 1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.1	-20.5
U.S Dollar	64.5	-14.9
Canadian Dollar	106.2	+3.7
Austrian Schilling	109.2	+11.7
Belgian Franc	110.9	-2.3
Danish Krone	108.6	+3.3
D-Mark	117.7	+24.3
Swiss Franc	110.0	+18.5
Dutch Guilder	113.8	+15.8
French Franc	102.4	-13.4
Lira	98.8	-19.7
Yen	138.8	+71.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.30

CURRENCY RATES

Oct 1	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.780599	0.702639
U.S Dollar	5.50	1.36800	1.22681
Canadian $	8.78	1.54803	1.38862
Austrian Sch	7.50	16.0070	14.4089
Belgian Franc	8.00	46.8540	42.1776
Danish Krone	9.50	8.76888	7.89978
D-Mark	7.50	2.27512	2.04754
Dutch Guilder	8.00	2.56308	2.30799
French Franc	10¼	7.75177	6.97685
Italian Lira	11½	1703.57	1532.22
Japanese Yen	5.50	181.739	163.472
Norway Krone	8	8.89898	8.01240
Spanish Peseta	-	144.046	129.485
Swedish Krona	10.00	8.29966	7.47248
Swiss Franc	7.00	1.98292	1.78439
Greek Drach	19	N/A	228.039
Irish Punt	-	N/A	0.765893

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep.30

OTHER CURRENCIES

Oct 1	£	$
Argentina	17290.5 - 17308.0	9900.00 - 9910.00
Australia	2.1930 - 2.1950	1.2540 - 1.2545
Brazil	921.880 - 922.950	528.000 - 528.300
Finland	7.0950 - 7.1075	4.0610 - 4.0640
Greece	322.250 - 327.200	184.250 - 187.190
Hong Kong	13.5210 - 13.5345	7.7385 - 7.7405
Iran	115.80*	68.50*
Korea(Sth)	1285.20 - 1305.95	737.20 - 746.00
Kuwait	0.50000 - 0.50100	0.28885 - 0.28900
Luxembourg	60.05 - 60.15	34.35 - 34.45
Malaysia	4.7820 - 4.7901	2.7380 - 2.7405
Mexico	5339.25 - 5345.80	3058.00 - 3060.00
N.Zealand	3.0745 - 3.0780	1.7590 - 1.7610
Saudi Ar.	6.5100 - 6.5870	3.7500 - 3.7510
Singapore	2.9460 - 2.9535	1.6870 - 1.6890
S.Af (Cm)	4.9060 - 4.9175	2.8085 - 2.8100
S.Af (Fn)	5.4030 - 5.4880	3.0910 - 3.1395
Taiwan	46.45 - 46.50	26.50 - 26.55
U.A.E.	6.3735 - 6.4500	3.6715 - 3.6735

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 1	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.485	-3.10	4.43	54
Belgian Franc	42.4032	42.1776	-0.53	1.73	29
D-Mark	2.05586	2.04754	-0.40	1.60	30
Italian Lira	1538.24	1532.22	-0.39	1.58	32
Dutch Guilder	2.31643	2.30799	-0.36	1.56	21
Irish Punt	0.767417	0.765893	-0.20	1.39	12
Danish Krone	7.84195	7.89978	0.74	0.45	-31
Sterling	0.696904	0.702639	0.82	0.36	-17
French Franc	6.89509	6.97685	1.19	0.00	-62

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7450 - 1.7520	1.7475 - 1.7485	0.78-0.76cpm	5.29	2.00-1.97pm	4.54
Canada	1.9765 - 1.9820	1.9780 - 1.9790	0.37-0.28cpm	1.97	0.99-0.84pm	1.85
Netherlands	3.2800 - 3.2915	3.2800 - 3.2900	⅜-¼cpm	1.14	¾-½pm	0.76
Belgium	59.95 - 60.20	60.10 - 60.30	10-5cpm	1.5	17-11pm	0.93
Denmark	11.2310 - 11.2655	11.2525 - 11.2625	1-⅜orepm	0.73	1¾-⅝pm	0.42
Ireland	1.0880 - 1.0965	1.0900 - 1.0910	0.05-parcpm	0.28	0.13-0.03pm	0.29
Germany	2.9110 - 2.9180	2.9125 - 2.9175	⅜-¼pfpm	1.29	⅝-⅜pm	0.69
Portugal	250.25 - 252.50	250.50 - 251.50	64-107cdis	-4.21	229-285dis	-4.10
Spain	184.00 - 184.80	184.10 - 184.40	27-37cdis	-2.08	85-102dis	-2.03
Italy	2177.55 - 2184.95	2178.50 - 2179.50	par-2liredis	-0.55	5-7dis	-1.10
Norway	11.3880 - 11.4300	11.4100 - 11.4200	⅛-⅞oredis	-0.46	¼-1¼dis	-0.44
France	9.9225 - 9.9465	9.9275 - 9.9375	1⅛-¾cpm	1.13	1¾-1⅜pm	0.63
Sweden	10.6190 - 10.6555	10.6400 - 10.6500	½-⅛orepm	0.35	par-⅞dis	-0.16
Japan	232.50 - 233.50	232.50 - 233.50	⅞-⅝ypm	3.86	2¼-2pm	3.65
Austria	20.49 - 20.56	20.49 - 20.51	2¼-1⅛gropm	0.99	5-2pm	0.68
Switzerland	2.5350 - 2.5450	2.5350 - 2.5450	½-⅛cpm	1.77	1¼-1pm	1.77
Ecu	1.4225 - 1.4260	1.4225 - 1.4235	0.08-0.03cpm	0.46	0.10-0.04pm	0.20

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.75-3.70cpm . 12 Month 6.95-6.85cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7450 - 1.7520	1.7475 - 1.7485	0.78-0.76cpm	5.29	2.00-1.97pm	4.54
Ireland†	1.5995 - 1.6035	1.6025 - 1.6035	0.65-0.60cpm	4.68	1.77-1.67pm	4.29
Canada	1.1310 - 1.1335	1.1310 - 1.1320	0.30-0.33cdis	-3.34	0.74-0.80dis	-2.72
Netherlands	1.8770 - 1.8825	1.8770 - 1.8780	par-0.01cdis	-0.03	0.01-0.02dis	-0.03
Belgium	34.30 - 34.45	34.35 - 34.45	10.50-12.50cdis	-4.01	30.00-35.00dis	-3.78
Denmark	6.4295 - 6.4440	6.4325 - 6.4375	2.30-2.60oredis	-4.57	6.60-7.00dis	-4.23
Germany	1.6645 - 1.6710	1.6650 - 1.6660	0.54-0.55pfdis	-3.93	1.63-1.66dis	-3.95
Portugal	143.55 - 144.40	143.55 - 143.65	103-110cdis	-8.90	300-320dis	-8.64
Spain	105.25 - 105.70	105.40 - 105.50	65-71cdis	-7.74	172-182dis	-6.71
Italy	1245.25 - 1249.50	1245.25 - 1245.75	6.10-6.50liredis	-6.07	17.60-18.40dis	-5.78
Norway	6.5125 - 6.5360	6.5225 - 6.5275	3.00-3.30oredis	-5.79	8.05-8.55dis	-5.09
France	5.6720 - 5.6925	5.6750 - 5.6800	1.95-2.00cdis	-4.17	5.55-5.65dis	-3.95
Sweden	6.0725 - 6.1020	6.0825 - 6.0875	2.45-2.70oredis	-5.08	7.05-7.50dis	-4.78
Japan	132.95 - 133.40	133.10 - 133.20	0.15-0.16ydis	-1.40	0.30-0.31dis	-0.92
Austria	11.7220 - 11.7525	11.7220 - 11.7270	3.80-4.20grodis	-4.09	11.40-12.60dis	-4.09
Switzerland	1.4510 - 1.4565	1.4515 - 1.4525	0.37-0.39cdis	-3.14	0.98-1.04dis	-2.78
Ecu	1.2250 - 1.2290	1.2280 - 1.2290	0.51-0.48cpm	4.84	1.39-1.33pm	4.43

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	[illegible]	11½ - 11	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

EXCHANGE CROSS RATES

Oct.1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.748	2.915	233.0	9.933	2.540	3.285	2179.	1.979	60.15	1.423
$	0.572	1	1.668	133.3	5.682	1.453	1.879	1247	1.132	34.41	0.814
DM	0.343	0.600	1	79.93	3.408	0.871	1.127	747.5	0.679	20.63	0.488
YEN	4.292	7.502	12.51	1000.	42.63	10.90	14.10	9352	8.494	258.2	6.107
F Fr.	1.007	1.760	2.935	234.6	10.	2.557	3.307	2194	1.992	60.56	1.433
S Fr.	0.394	0.688	1.148	91.73	3.911	1	1.293	857.9	0.779	23.68	0.560
H Fl.	0.304	0.532	0.887	70.93	3.024	0.773	1	663.3	0.602	18.31	0.433
Lira	0.459	0.802	1.338	106.9	4.559	1.166	1.508	1000.	0.908	27.60	0.653
C$	0.505	0.883	1.473	117.7	5.019	1.283	1.660	1101	1	30.39	0.719
B Fr.	1.663	2.906	4.846	387.4	16.51	4.223	5.463	3623	3.290	100.	2.366
ECU	0.703	1.228	2.048	163.7	6.980	1.785	2.309	1531	1.391	42.27	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; US TREASURY BOND FUTURES OPTIONS; BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; EURODOLLAR OPTIONS; SHORT STERLING OPTIONS: [illegible]

LONDON (LIFFE): [illegible]

CHICAGO: [illegible]

PHILADELPHIA SE £/$ OPTIONS: [illegible]

PARIS: [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	-	-	-	0.06	0.29	-
105	2.09	2.45	-	0.13	0.47	-
106	1.27	-	-	0.32	0.75	-
107	0.68	1.23	-	0.72	1.16	-
Open Int	100,807	37,750	2,150	82,051	33,670	7,653

Estimated volume 47,601 Total Open Interest 264,081

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen Bank	11	Roxburghe Bank Ltd.	11.5
Bank of Cyprus	10.5	First National Bank Plc	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	10.5	Robert Fraser & Ptrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates edge lower

Money market conditions were easier yesterday as the end-of-quarter pressures evident on Monday subsided across all international centres.

In London, the Bank of England forecast a liquidity shortage of £450m, revised to £550m later in the morning, and stepped in with an early £129m assistance. The Bank purchased band 1 and band 2 bank bills at 10⅜ per cent.

The liquidity shortage forecast was again increased to £600m in the afternoon. The Bank provided £198m early afternoon assistance and £310m late assistance, again purchasing bank bills at 10⅜ per cent. This bought total assistance on the day to £637m.

Rates were easier in the morning as sterling strengthened against the D-Mark on the foreign exchange markets. The UK currency started the day at around DM2.915 but had climbed to DM2.92 before falling back.

By the close three month interbank funds were quoted at 10$\frac{7}{16}$ per cent from 10⅜ per cent on Monday.

In Frankfurt, call money was yesterday quoted at 9.15 per cent, down from 9.25 per cent on Monday.

The easing may relieve pressure on the Bundesbank to raise its Lombard emergency funding rate. On Monday, when both call money and Lombard borrowings were available at 9.25 per cent, banks increased Lombard borrowing to DM8.9bn, from DM5.7bn on Friday.

Today, two outstanding repurchase pacts expire, draining a total of DM46.7bn from the market. The Bundesbank is expected to announce new repurchase agreements to replace the expiring pacts.

In New York, Fed funds were quoted early on at 5⅜ per cent, slightly easier than Monday's average rate of 5.6 per cent, and eased further to 5$\frac{5}{16}$ per cent by mid-morning. The Federal Reserve refrained from open market operations, with rates were target rate of 5¼ per cent.

In Tokyo, a deficit of funds is expected today as corporations meet taxation payments. Around Y3,000bn of payments are due and market participants were waiting to see whether the Bank of Japan would act to stop a hike in the overnight call money rate. Yesterday call money was quoted at 6$\frac{11}{16}$ per cent, down from 7$\frac{3}{16}$ per cent on Monday, when the half-year end for many financial institutions resulted in a drain on liquidity.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK: [illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,661 Set by DINMUTZ

ACROSS

1 Mary, quite contrary, holds silver tongue (6)
4 Branch of mathematics difficult to pass (8)
10 Angle from which to watch fielder (9)
11 BBC, with no leader, is set free (5)
12 Depression of low day (4)
13 Underground levee (10)
15 Handy place for a fakir's retirement (4-3)
16 Painter at 7 (6)
19 Veiled nun wandering round diocese (6)
21 Prudence is an amusing sort! (7)
23 Thus, city bond can provide comfort in distress (10)
25 Reversible deck (4)
27 Metrical feet of William Bickford (5)
28 Place in job (9)
29 Noted his potential for the good time? (8)
30 Fifty cent cut is quite a lump! (6)

DOWN

1 Part of The Clock symphony (8)
2 Chant from either of two chapels, we hear, in the field? (9)
3 Charges of a chemist (4)
5 Decoy soldiers over territory (7)
6 What a bouncer to throw at English opener on foreign tour (7-3)
7 Being flexible, ignited high explosive (5)
8 Hustle round homes, would you say? (6)
9 Took pictures of field, positioned round middle (6)
14 Psychoanalyst's treatment for tar allergy? (10)
17 Weighty piece of paper (9)
18 Cutting sound of quick dialogue (4-4)
20 She makes sin seem sorry (7)
21 This Great Dane flopped, literally (6)
22 Profit, we hear, is first-class before a holiday begins (6)
24 Crippled male in crooked deal (5)
26 A perfectly good headlight (4)

Solution to Puzzle No.7,660

FULLSTOP SCRAPE; RECAP IDIOMATIC; LABELLING LASSO; MAMMON REMORSE; CANINES DENTAL; EXTRA PLAYACTOR; TRADITION IONIC; DELAYS GREYNESS

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

Prices data supplied by Telekurs.

CANADA

TORONTO
3:00 pm prices October 1

[illegible]

MONTREAL
3:00 pm prices October 1

[illegible]

INDICES

NEW YORK
DOW JONES

[illegible]

STANDARD AND POOR'S
[illegible]

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

[illegible]

CANADA
TORONTO

[illegible]

Subject to official recalculation.

Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 1 October 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	14.4	720	+4	Meiji Seika	9.7	1,300	+10
NKK	11.6	415	+10	Nippon Mining	8.6	591	+15
Nippon Steel	10.1	432	+3	Keisei Elec Rail	8.1	1,410	+80
Mitsubishi Kasei	10.0	582	-11	Asahi Chemical	8.1	815	+29
Sumitomo Heavy	9.7	782	-18	Kawasaki Heavy	7.7	603	+13

3:15 pm prices October 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅞	9¼	AAR Corp	0.48	0.04	18	412	13⅝	13¼	13⅝	-⅛
18¾	14½	A L Labs A x	0.16	0.01	20	833	18⅛	17⅝	18⅛	+½
55¾	40⅞	AMP Inc	1.44	0.03	20	1522	51¾	51¼	51⅝	+⅛
69⅝	44¼	AMR				101804	57⅞	57⅛	57¼	-⅛
2⅝	1	ARX			1	419	1½	1⅜	1⅜	
56	41½	ASA	3.50	0.07	13	185	48	47⅛	47¼	-½
55¼	39¼	Abbott Lab x	1.00	0.02	22	2058	54⅜	53⅞	54¼	+⅜
14⅝	9⅞	Abitibi Pr	0.50	0.04	24	z100	13¼	13¼	13¼	-⅛
11⅝	10⅞	ACM Gvt In	1.26	0.11		399	11¼	11⅛	11⅛	-⅛
9⅞	8¾	ACM GvOpp	1.01	0.11		48	9⅝	9½	9½	-⅛
9¼	8¼	ACM Gvt Sp x	1.01	0.11		186	u9¼	9⅛	9⅛	
11	9⅞	ACM Gvt Se x	1.26	0.12		353	10¾	10⅝	10¾	+⅛
8¾	7⅞	ACM Man	1.01	0.11		672	u8⅞	8¾	8⅞	+⅛
12⅞	11½	ACM Managd	1.35	0.11		433	12⅞	12¾	12⅞	+⅛
7½	4¾	Acme Cleve	0.40	0.07	16	122	6⅛	5⅞	6	-⅛
6	3⅜	Acme Elect			2	21	4	3⅞	3⅞	-¼
40	22⅞	Acuson			21	948	32½	31⅞	31⅞	-⅜
19⅛	14¼	Adams Expr	0.73	0.04	0	49	18⅞	18⅝	18¾	
20⅛	17½	Adobe12Pf	2.40	0.12		3	19¾	19¾	19¾	+⅛
9¼	6⅝	Adobe Res			50	558	7½	7⅜	7½	+⅛
36⅞	18	Ad Micro				90	32¼	31⅛	31¼	-¼
14¼	4⅝	Ad Micro P	3.00	0.34	14	13050	9⅜	8⅞	8⅞	-½
5⅛	2¾	Advest Grp	0.16	0.04	5	201	3½	3½	3½	
49⅛	31⅞	Aetna Lf x	2.76	0.08	7	2220	34¼	33⅞	34	+⅛
10⅝	6⅝	Affil A	0.24	0.03	45	674	8⅜	8¼	8¼	-⅛
20⅞	12	Ahmanson	0.88	0.05	11	1952	18⅝	17¾	18	-⅜
14⅞	2⅞	Aileen Inc			14	255	14⅜	14⅛	14⅛	+¼
74¼	51⅞	Air Pr Chm x	1.56	0.02	15	1339	69⅜	67	68⅜	+1¼
30	16⅝	Airbne Frt	0.30	0.01	17	1834	26⅝	25⅞	26⅝	+⅜
19⅜	12½	Airgas Inc			105	63	u19⅜	18¾	19	-⅛
15¼	10	Airlease x	1.66	0.12	7	14	13½	13⅜	13⅜	
96½	89¼	AlaPw8.16	8.16	0.08		2	95	95	95	+1

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39⅛	24⅝	Briggs & S	1.60	0.04	15	554	u39⅛	38½	39	+⅝
46	36⅝	Brinkerint			32	556	45½	45	45½	+½
87⅞	61¼	Bristol M x	2.40	0.03	23	5389	84⅛	82¾	84	+1¼
33¾	24½	Brit Airwy	1.76	0.05	394	2111	32⅞	32⅛	32¼	+⅝
49⅞	39	Brit Gas	2.50	0.05	13	532	u50½	49¾	50¼	+1⅞
77½	63⅞	BP ADR	4.36	0.06		72245	72⅝	72⅛	72⅛	+⅛
32⅛	26⅝	BP Prudhoe	3.34	0.10	10	279	32⅛	31⅞	32	
8⅜	3½	BP Wts93				866	4⅝	4½	4⅝	+⅛
27⅝	19¼	Brit Steel	1.70	0.07	13	790	23¼	22⅞	23	-¼
69½	51¼	Brit Tel	3.24	0.04	13	2277	u71⅞	70	71⅝	+2⅛
16¼	4⅜	Broad Inc	0.20	0.01	12	770	15⅜	15¼	15¼	-⅛
30¾	27½	BrklnPfd	2.47	0.08		z100	u31⅛	31⅛	30¾	
30⅝	27	Brooklyn U x	1.90	0.06	13	231	30¼	29¾	29⅞	-⅜
84½	69	BrwnFormnB	2.24	0.03	14	324	69⅝	69¼	69⅝	+⅛
28⅞	21⅝	Brown Grp x	1.60	0.06	17	348	27	26⅞	26¾	+⅛
12⅝	7⅞	Brown&Shrp	0.32	0.04	1	78	8½	8⅜	8⅜	-¼
30¾	18⅞	Browning F	0.68	0.04	14	2266	19⅝	19⅛	19¼	-¼
4⅜	2	BRT			0	155	3	2⅞	3	+¼
16⅞	8⅝	Brunswick	0.44	0.04	93	1216	12⅜	11⅝	11¾	-⅝
20	14⅛	Brush Well	0.72	0.05	20	154	15¼	14⅞	15	+⅛
27¾	23⅝	Buckeye Pt	2.60	0.09	9	10	27½	27⅜	27½	+⅛
16⅜	13	Bunker Hil x	1.64	0.10	0	16	15⅞	15⅝	15⅞	
13¾	10¼	Burger K I	1.62	0.14	12	7	11½	11½	11½	+⅛
18½	8⅞	Burl Coat			12	266	17¼	17	17⅛	-⅛
35⅜	28¼	Burl North	1.20	0.03	8	2277	35⅜	34½	35⅜	+⅝
43¼	32⅞	Burlin Resc	0.70	0.02	30	606	42	41¼	41⅝	-¼
16	11¼	Burnham Pc x	1.36	0.08	45	26	15⅛	14⅞	15⅛	+¼

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
22¼	14⅛	Xtra 1.94				217	u22¼	22¾	22¾	+½
28½	14¼	Xtra Corp	0.72	0.03	87	270	u26⅞	25¾	26⅛	−⅛
25½	21¼	Yankee Egy	1.60	0.06	12	94	u25½	25⅛	25⅜	
1½	⅜	Zapata			2	32	⅜	⅜	⅜	−1/16
9⅜	5⅛	ZenithElec			1	403	5⅝	5½	5½	−⅛
18½	12	Zenith Nat x	1.00	0.06	94	388	16	15½	16	+⅜
6¾	4½	Zenix Inc x	0.84	0.14		219	u6¼	6⅛	6⅛	
15⅛	10⅞	Zero Corp	0.40	0.03	16	118	14½	14¼	14⅜	−⅛
41⅜	29½	Zurn Ind	0.88	0.03	13	169	33¾	33¼	33⅝	+⅛
13½	10¼	Zweig Fund	1.16	0.09		349	12¾	12⅝	12¾	
10⅜	8½	Zweig Totl	0.96	0.09		1304	u10⅜	10⅛	10⅛	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices October 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		6	372	10¾	10½	10¾	+⅛
Perini		6	17	9¾	9¾	9¾	
Pet H&P	0.31	12	15	u10¾	10½	10½	
Phil LD	0.17	8	343	20	19¾	20	+⅛
Pitway A x	1.10	10	82	23⅝	23½	23⅝	−¼
Ply Gem	0.12	157	724	8⅛	7¾	7⅞	+⅛
PMC x	0.58		5	8¾	8¾	8⅞	
PresidioA	0.10	2	62	3¾	d3⅝	3¾	

NASDAQ NATIONAL MARKET

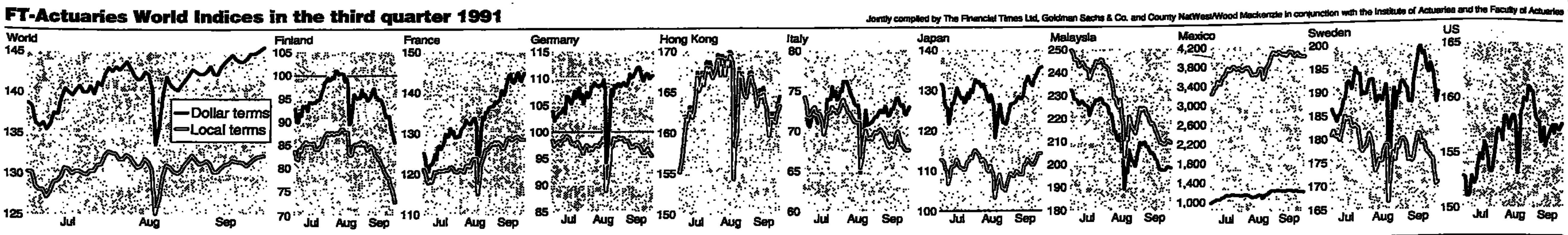
3:00 pm prices October 1

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		37	1608	30¼	29	29¼	−⅞
XL Data		33	73	11⅜	11	11	−⅜
Xoma Corp		8	2542	16¼	15¾	15¾	−⅜
Yellow Fr	0.94	18	367	30½	29¾	29⅞	−⅛
York Rsch		55	1113	7	6¼	6⅝	+⅛
ZionUtah x	1.44	9	9	46	44¾	44¾	

FT-Actuaries World Indices in the third quarter 1991

Jointly compiled by The Financial Times Ltd, Goldman Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries



AMERICA

Dow mildly encouraged by economic data

Wall Street

SHARE PRICES added to Monday's modest gains yesterday morning, aided by moderately bullish news on the economy and hopes of another interest rate cut, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones was up 7.38 at 3,024.15. The more broadly-based Standard & Poor's 500 was also higher at midsession, up 1.44 at 389.30 at 1 pm, while the Nasdaq composite of over-the-counter stocks gained 0.95 to 527.91. Turnover on the NYSE was a brisk 99m shares.

Share prices were pepped up in the morning by report from the National Association of Purchasing Management which showed that its index of manufacturing orders, production, employment, factory deliveries and inventories rose from 54.8 in August to 55 in September. Any number above 50 suggests that the manufacturing sector is expanding, and yesterday's data confirm that industrial activity is recovering, albeit slowly.

Two UK company stocks were a feature. British Telecom ADRs rose $2 to $71⅞ on expectations that the UK government will raise about $5bn from the sale of its remaining 49 per cent stake; and the ADRs of Tiphook, the transport group, made their NYSE debut. By midsession they were steady at $31 in light trading, having briefly touched $31¼.

Maintaining the British connection, shares in Bowater Inc, the biggest newsprint producer in the US which was spun off in 1984 from its UK parent, Bowater plc, fell $1⅛ to $22½ in active trading after the company warned that third quarter profits would be in the range of 15 cents a share to 20 cents a share, sharply lower than the 63 cents a share earned in the same three months a year ago.

Lamson & Sessions firmed $⅛ to $4⅛ after the company said it was considering selling two of its divisions to focus on its core electrical products business.

Cleveland-Cliffs rose $⅝ to $33⅝ on the news that it has entered into a 12-year contract worth $400m-$500m with Weirton Steel to supply iron ore pellets. Weirton Steel rose $⅛ to $4⅛, on the additional news that the company is planning a $3m share buy-back programme.

On the over-the-counter market, profit warnings left Utilx Corp $1 lower at $8⅛ and Integrated Device $⅛ weaker at $4⅞. Utilx said earnings for the second quarter and the remainder of the fiscal year would be substantially below previous-year levels, while Integrated Device forecast a big loss from operations in its second quarter just ended.

Canada

TORONTO stocks were slightly higher in quiet midday trading. Investors were sidelined ahead of third quarter earnings. The TSE-300 composite index was up 6.42 at 3394.30 on volume of 9.80m shares. Advances led declines by 203 to 178 with 208 unchanged.

The financial services index rose by more than average, putting on 21.74 to 2,752.53, while the metals and minerals index added 8.68 to 2,861.20.

Among active stocks, Royal Trustco was steady at C$8⅞, while TransCanada Pipe rose C$⅛ to C$16⅝. Dofasco eased C$⅛ to C$17⅝ while Scotiabank added C$⅜ to C$19⅜.

In the mining and oil sector, Ranchmens rose C$⅛ to C$6 while Paragon Pete fell 15 cents to C$1.85.

ASIA PACIFIC

Nikkei up 1.9% on lower reserve requirements

Tokyo

THE 225-share Nikkei average jumped 1.9 per cent yesterday, ending above 24,000 for the first time since August 2, after the Bank of Japan announced that it would lower reserve requirements for commercial banks, *writes Emiko Terazono in Tokyo.*

The Nikkei gained 460.57 at 24,377.01, after a day's low of 23,861.67 and a high of 24,441.68. The market advanced in the morning on index-linked buying, after initially fluctuating within a narrow range, and accelerated its upswing in the afternoon after the Bank of Japan's lunchtime announcement. Volume swelled to 600m shares from 280m.

Rises outscored declines by 748 to 266, with 131 issues unchanged. The Topix index of all first section stocks climbed 19.87 to 1,851.07 and, in London, the ISE/Nikkei 50 index put on 1.38 to 1,413.79.

Analysts said the Bank of Japan was trying to ease credit by increasing its availability, rather than lowering its cost.

The announcement triggered a strong rally in financial markets. The 129 10-year benchmark bond closed at 5.91 per cent, down from 5.975. The fall in bond yields helped interest rate-sensitive stocks, with large-capital issues being among the most actively traded. Hitachi Zosen improved Y4 to Y720 and NKK appreciated Y10 to Y415.

Asahi Chemical forged ahead Y29 to Y815 on reports that the company had developed a substance to eliminate C-type hepatitis virus.

In Osaka, the OSE average rose for the fifth consecutive day, adding 271.63 at 26,632.76 in volume of 40m shares.

Buying spread from biotechnology-related shares to textiles and interest rate-sensitive issues. Toa Wool Spinning and Weaving strengthened Y35 to Y770 on prospects of firm earnings owing to lower raw wool prices and strong sales.

Roundup

GROWING optimism in Hong Kong and trade figures in Australia produced yesterday's highlights in the region.

HONG KONG registered its best gain since late-August as the Hang Seng index climbed 67.18 or 1.7 per cent to 4,023.87. Volume expanded from HK$1.12bn to HK$1.33bn, the highest for nearly five weeks, as utilities, banks and, to a lesser extent, properties forged ahead.

AUSTRALIA gained 1.5 per cent as the current account deficit narrowed, leading to hopes of a further easing in monetary policy and a buoyant bond market. The All Ordinaries index finished 23.6 higher at 1,586.1 following turnover of A$282m, well above Monday's A$182m.

NEW ZEALAND extended its rally to a fifth successive day, the NZSE-40 index closing 8.87 stronger at 1,473.75 for a gain of 7.3 per cent since the central bank eased its monetary policy last week. Turnover more than doubled, from the previous day's NZ$16.2m to NZ$34.2m

MANILA resumed last week's recovery, the composite index advancing 6.79 to 941.11. Dealing was thin and marked by short-covering and roll-over trading of margin accounts.

Officials said that Manila Electric (Meralco) would proceed with its scheduled share offering in November, in spite of moves by other government corporations to defer privatisation plans until next year.

SOUTH AFRICA

JOHANNESBURG closed little changed as gold shares regained some small early losses. The all-gold index ended at 1,132, down 1, and the industrial index fell 8 to 3,966. The all-share index closed steady at 3,297.

Brazil retreats after hitch in privatisation process

Jitters are likely to remain, writes **Victoria Griffith**

LAST WEEK was the worst the Brazilian stock market had experienced in months. Following the announcement that the long-awaited privatisation of Usiminas, the steel group, had been cancelled, prices plunged 11 per cent. After a rise of 30 per cent in local currency terms over the first three weeks of September, the stock market ended the month with a gain of just 17 per cent.

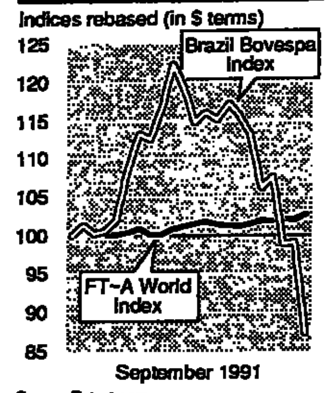
In dollar terms, the market was down 12.8 per cent on the month. Even without last Monday's 17 per cent devaluation of the dollar, the market would have made its first monthly loss in dollar terms, of 0.6 per cent, since April, although it is still up 214 per cent in dollar terms this year. Yesterday the local currency index recouped 5 per cent by midday, on hopes of foreign bargain hunting.

When investors arrived at the Rio de Janeiro exchange to participate in the Usiminas auction, they were physically attacked by protesters. The demonstrators were nervous at the prospect of job losses following privatisation, and felt that the government's minimum offer price for the group was too low. In São Paulo, Mr Alvaro Vidigal, president of the São Paulo Stock Exchange, was bombarded with eggs.

Even before the riot, the auction was doomed. The use of foreign debt as a currency in the privatisation had been prohibited several days before, leaving most investors without sufficient funds. Faced with the prospect of a fiasco, President Fernando Collor de Mello himself suspended the sell-off, a decision seconded by a federal judge minutes later.

The government tried to limit the damage with the rapid announcement of a new date for the Usiminas privatisation – October 15. With the sell-off still threatened by law suits, however, and uncertainty about the use of debt swaps, investors have been staying away.

Indices rebased (in $ terms)



Source: Datastream

Foreign inflows, which had accelerated over the last few months to some $10m to $30m a day, ground to a halt, and the market is expected to remain jittery for the next few weeks. "We expect the market to remain very nervous in the short-term," says Mr Vidigal, "and every threat to the October 15 auction will act like a cold shower on prices."

The steadily growing resentment concerning the federal government's lack of involvement in the privatisation process was finally aired, following the suspension.

Neither the president nor Mr Marcilio Marques Moreira, the economy minister, had publicly discussed privatisation until last week, leaving Mr Eduardo Modiano, president of the National Development Bank, to run the show on his own. Mr Francisco Souza Dantas, president of the Rio de Janeiro Stock Exchange, says: "What happened last week was largely the fault of the federal government. Modiano was left very much on his own."

The Brazilian stock market will depend heavily on privatisation and foreign investment to lift prices over the next few years. Company results are expected to be even worse this year than they were in 1990, and most quoted companies are closely held, so a share price rally based on takeovers is unlikely.

With so much at stake, the market has been struggling to remain optimistic. "At least this brought international attention to the Brazilian privatisation programme," says Mr Souza Dantas. "Maybe it will be a good thing in the long run."

The event has at least forced the Collor administration to assume an active role in the process, notes Mr Vidigal. Investors still hope that the Usiminas affair will cause nothing more than a short-term dip in equity prices.

Mr Roger Wright, head of the foreign investment fund at Banco Garantia, says: "As long as there are no more major hitches to the privatisation process, prices will soon resume their upward climb."

EUROPE

Continent moves ahead in quiet trading

MOST BOURSES moved slightly higher yesterday, although trading remained quiet, *writes Our Markets Staff.*

PARIS rose to a year's high, as the CAC 40 index added 6.78 to 1,887.37, passing the previous peak reached on September 20. Turnover was moderate, but less than Monday's FFr3.2bn which had been inflated by the options expiry.

Sefimeg, the property leasing company at the centre of takeover speculation, jumped FFr20 or 4.3 per cent to FFr486 in heavy volume of 383,200 shares. Suez recouped part of its recent losses, rising FFr6 to FFr325 in 264,000 shares.

MILAN focused on shares controlled by Mr Carlo De Benedetti in a generally firmer session. Traders were relieved that the government had approved its 1992 budget plan on Monday evening. The Comit index rose 4.59 to 543.65 in turnover estimated at more than Monday's L64bn.

Cir's first-half results, released late on Monday, sparked a round of short-covering which sent both its and Olivetti's shares higher. Olivetti closed L140 higher at L3,060 while Cir added L75 to L2,360.

FT-SE Eurotrack 100 - Oct 1

Hourly changes

Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1106.43	1106.56	1105.47	1105.82	1105.74	1106.12	1105.43	1105.95

Day's High 1107.19 Day's Low 1105.06

Sep 27	Sep 27	Sep 26	Sep 25	Sep 24
1100.47	1104.16	1103.42	1108.34	1110.65

Base value 1000 (26/10/90).

FRANKFURT failed to find inspiration in Tokyo equities, or its own domestic bond market. The DAX index ended only 2.59 higher at 1,609.62 after a decline of 0.38 to 664.78 in the FAZ at midsession, and a fall of 4 basis points to 8.60 per cent in the Bundesbank's average bond yield.

Volume was said to be low, after falling to DM2.8bn on Monday, and the main price changes were in special situations. Linotype shed all of Monday's gains and more, closing DM22 lower at DM515. Continental dropped DM5.50 to DM210.50, after an unusually high turnover of DM75m on Monday.

Ms Barbara Altmann of B Metzler said that there had been stories that Pirelli, currently in negotiations with Conti, wanted to raise its stake in the German tyremaker to just over 50 per cent. Metzler has recommended the stock, primarily for speculation, although it sees earnings per share of DM10 for 1992 and DM25 for 1993, after a small loss this year.

MADRID slipped again in light trading. Domestic investors were not impressed with the previous day's budget, and the general index lost 2.44 to 271.96 in turnover similar to Monday's Pta10.5bn. Banks, construction stocks and utilities fell in moderately busy trading, with BBV down Pta65 at Pta3,260, and Dragados off Pta60 at Pta2,205.

A put-through of 148,000 shares in Mapfre left the insurance company Pta120 down at Pta5,250 in volume of 160,801 shares. A sale of 200,000 shares in Viscofan pushed the cellulose wrapping maker down Pta145 to Pta2,600 in 252,318 shares. There was talk that the company could report poor third-quarter results.

STOCKHOLM was pleased by Handelsbanken's better-than-expected eight-month statement. Handelsbanken B shares jumped SKr6 to SKr108. The Affärsvärlden General index was 0.6 up at 1,035.9 in turnover of SKr254m, after SKr333m.

AMSTERDAM saw arbitrage-related demand for the blue chip, Unilever, which has been trading at a discount of about 6 per cent to the London-listed shares. The stock closed at Fl 163.40, up Fl 3.90.

Otherwise trading was quiet, with few investors willing to go into the market while interest rates remain high. The CBS tendency index added 0.3 to 90.0 in turnover of Fl 542.4m.

OSLO moved higher, as Den Norske Bank recouped part of Monday's NKr7.5 loss, closing NKr4 or 12.9 per cent up at NKr35. The all-share index gained 2.34 to 494.56 in turnover of NKr221m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 30 1991								FRIDAY SEPTEMBER 27 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.32	+0.9	127.98	127.03	130.79	125.98	+0.4	4.81	150.01	128.01	126.55	130.80	125.52	151.89	112.74	135.45
Austria (20)	182.84	+1.4	154.64	153.49	158.04	158.20	+0.1	1.79	180.33	153.87	152.12	157.22	158.04	222.37	154.82	186.01
Belgium (47)	128.67	+1.3	108.82	108.00	111.21	108.68	+0.2	5.45	126.98	108.35	107.11	110.71	108.51	151.20	118.04	130.04
Canada (114)	135.83	+0.5	114.88	114.01	117.39	111.34	+0.3	3.41	135.12	115.29	113.97	117.79	111.00	142.27	126.49	128.36
Denmark (37)	257.27	+1.4	217.58	215.97	222.36	224.37	+0.2	1.57	253.79	216.56	214.09	221.27	223.85	270.56	217.74	239.36
Finland (16)	85.58	+0.8	72.38	71.84	73.97	72.76	−0.7	3.31	84.92	72.46	71.64	74.04	73.24	125.15	84.92	104.99
France (109)	144.70	+0.7	122.38	121.46	125.05	128.52	−0.2	3.45	143.67	122.59	121.18	125.25	128.74	152.26	119.11	130.47
Germany (65)	110.58	+1.0	93.52	92.84	95.58	95.58	+0.1	2.35	109.48	93.41	92.38	95.45	95.45	125.35	94.15	107.85
Hong Kong (55)	164.36	+0.5	139.01	137.97	142.07	163.38	+0.4	4.37	163.49	139.51	137.91	142.55	162.63	169.98	119.62	114.06
Ireland (18)	161.99	+0.9	137.00	135.99	140.01	141.99	−0.1	3.52	160.54	136.98	135.42	139.97	142.13	182.46	132.88	139.24
Italy (77)	72.70	+0.6	61.48	61.02	62.83	67.51	−0.2	3.43	72.24	61.64	60.94	62.98	67.66	88.23	64.76	83.04
Japan (474)	136.06	+0.7	115.07	114.21	117.62	114.21	+0.2	0.74	135.14	115.31	113.99	117.83	113.99	146.97	118.23	106.58
Malaysia (68)	198.42	−0.8	167.81	166.55	171.49	209.11	−1.3	2.86	199.94	170.61	168.66	174.32	211.77	247.78	189.18	183.16
Mexico (16)	1194.60	+0.1	1010.33	1002.81	1032.53	3995.40	+0.1	1.32	1193.96	1018.80	1007.18	1040.98	3993.28	1226.36	534.45	472.56
Netherland (31)	140.32	+0.3	118.68	117.79	121.29	119.96	−0.6	4.60	139.87	119.35	117.99	121.95	120.69	145.73	125.70	130.62
New Zealand (14)	47.40	+1.2	40.08	39.79	40.97	44.35	+1.4	6.57	46.82	39.95	39.50	40.82	43.74	54.64	41.18	56.85
Norway (31)	201.56	+1.1	170.47	169.20	174.22	177.90	−0.1	1.58	199.35	170.10	168.16	173.81	178.04	223.24	178.58	245.68
Singapore (38)	190.97	+0.3	161.51	160.31	165.06	148.20	−0.3	2.40	190.37	162.44	160.59	165.98	148.61	208.25	151.63	148.47
South Africa (61)	244.30	−0.6	206.61	205.07	211.15	165.58	+0.3	3.34	245.82	209.76	207.36	214.32	165.08	258.85	173.00	161.73
Spain (53)	158.04	+1.2	133.67	132.67	136.60	126.02	+0.3	4.30	156.17	133.25	131.74	136.15	125.70	171.12	131.51	131.90
Sweden (25)	189.93	+1.2	160.63	159.44	164.16	170.67	+0.2	2.61	187.74	160.19	158.37	163.69	170.30	204.12	146.60	170.39
Switzerland (58)	94.16	+0.7	79.63	79.05	81.39	84.56	−0.1	2.28	93.54	79.82	78.91	81.57	84.64	100.67	82.17	88.54
United Kingdom (240)	184.43	+1.7	155.98	154.80	159.39	155.98	+0.8	4.75	181.43	154.81	153.03	158.17	154.81	187.44	156.27	152.87
USA (526)	157.63	+0.5	133.31	132.33	136.25	157.63	+0.5	3.09	156.85	133.84	132.32	136.76	156.85	161.02	125.95	127.01
Europe (827)	143.63	+1.2	121.47	120.57	124.15	123.38	+0.3	3.89	141.93	121.11	119.73	123.75	123.02	151.52	125.50	129.17
Nordic (109)	187.14	+1.2	158.28	157.10	161.76	159.26	+0.2	2.04	184.86	157.73	155.94	161.17	159.00	200.81	155.55	179.22
Pacific Basin (718)	136.78	+0.7	115.68	114.82	118.22	115.52	+0.2	1.08	135.87	115.93	114.61	118.46	115.30	145.92	117.86	107.82
Euro – Pacific (1545)	139.84	+0.9	118.27	117.38	120.86	119.45	+0.2	2.23	138.61	118.28	116.92	120.84	119.17	147.86	121.29	116.82
North America (640)	156.21	+0.5	132.11	131.16	135.04	154.48	+0.5	3.10	155.44	132.63	131.14	135.54	153.74	159.66	125.91	127.00
Europe Ex. UK (587)	119.59	+0.6	101.14	100.41	103.39	104.76	−0.1	3.21	118.59	101.19	100.06	103.41	104.82	129.80	103.58	114.22
Pacific Ex. Japan (244)	143.79	+0.5	121.61	120.72	124.29	126.34	+0.2	4.32	143.02	122.03	120.66	124.70	126.08	147.50	111.40	121.79
World Ex. US (1736)	141.43	+0.8	119.61	118.73	122.25	120.57	+0.2	2.28	140.26	119.68	118.32	122.29	120.28	148.16	122.32	117.96
World Ex. UK (2022)	142.17	+0.6	120.24	119.35	122.90	129.80	+0.3	2.31	141.32	120.59	119.22	123.23	129.43	145.77	120.06	116.87
World Ex. So. Af. (2201)	145.20	+0.7	122.80	121.90	125.51	131.98	+0.3	2.56	144.14	123.00	121.60	125.69	131.54	148.66	122.92	119.82
World Ex. Japan (1788)	152.41	+0.7	128.90	127.95	131.75	142.08	+0.4	3.44	151.31	129.11	127.65	131.94	141.51	152.83	126.69	128.27
The World Index (2262)	145.84	+0.7	123.34	122.43	126.06	132.26	+0.3	2.57	144.81	123.56	122.16	126.26	131.82	149.01	123.28	120.07

Latest prices were unavailable for this edition.